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December 2019 - January 2020 N° 242

REBIRTH OF A NATION

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- DRAFT 3.0 -

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EDITORIAL

#242

No more lies

It's only during crisis that truth comes to light. As everyone scrambles into new positions, reality is revealed. Each time the Lebanese equation changes, players let their masks slip in their bid to defend their slice of what remains. The violations that are perpetrated in the process are often so flagrant that forgiveness seems impossible.

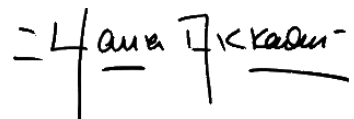
Now is the time to face the truth—to be honest with ourselves and others—or instead of witnessing the rebirth of Lebanon we will all bear witness to its slow death. It is past obvious that our political class is driven by ego, arrogance, incompetence, ignorance, and corruption—all while hiding behind geopolitical excuses that no longer, and never did, make any sense. Even now, as I write this editorial, our politicians continue to bicker among themselves over how to reform a government of old faces, while our people recover from another night of violence inflicted upon them. But Lebanon has changed, even if those who cling to power refuse to accept this new reality.

The picture we face now may be bleak, but we should never forget that we are a rich nation, through our people, our heritage, and our nature—and it doesn't take much to put it all to good use. The pillars of our nation—our entrepreneurial private sector, educated population, and wonderful culture—need strong institutions that allow them to thrive. To achieve our promise we need leadership empowered by the people, not dictated by foreign powers. We need leaders that understand the importance of, and are able to launch and activate, the bedrocks of our economy—our agriculture, manufacturing, and services industries. Who understand the principles of competitiveness powered by education, knowledge, and healthcare.

This Lebanon is within our reach. EXECUTIVE's Economic Roadmap 3.0 was drafted amid the revolution with a renewed nation in mind. Regardless of who leads the transition, they will have this roadmap as a guide as they embark on the long road toward Lebanon's rebirth.

As Lebanese we need to stand up and reclaim sovereignty over our nation. Over the course of this still ongoing uprising, we have seen the masks slip from our political elite—accusations have become incriminations—and it is no longer possible to trust those that have failed in power for 30 years. Instead, we put our trust in the people of Lebanon. We put our trust in the collective will and spirit of the Lebanese, and our optimism in the hands of those who are battling every day for change, those who reimagine Lebanon with their blood, tears, and hopes.

Now is the time.



Yasser Akkaoui
Editor-in-chief

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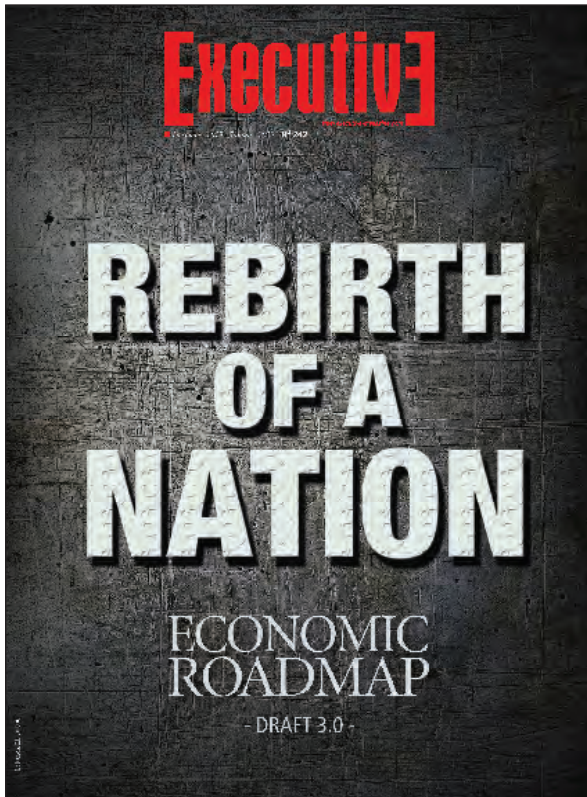
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- DRAFT 3.0 -

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LAST YEAR

JANUARY

Protesters decry political and economic crises

People took to the streets across Lebanon from mid-December through January to protest the country's worsening political and economic situation. A demonstration in Beirut on January 20 drew a crowd estimated at several thousand, who marched to the finance ministry to protest supposed plans to increase value-added tax and cut fuel subsidies. Previous protests in mid-January took aim at government corruption.

Five dead in winter storms

Two January storms battered Lebanon, resulting in five deaths and disproportionately affecting vulnerable refugee communities. Storm Norma ravaged the country from January 6 - 10, flooding populated areas countrywide and killing an eight year-old Syrian girl in Minyeh. Starting on January 15, a second storm, Miriam, raged for several days, during which at least four people were killed and another 10 injured.

McKinsey report and Moody's downgrade highlight economic morass

The economy ministry on January 2 released a 1,200 page (slides) plus report by McKinsey, commissioned by the government in 2017 for \$1.3 million, to analyze and

outline plans to ameliorate Lebanon's ailing economy. The report stated that Lebanon was trapped in a "vicious economic cycle," and highlighted five key sectors for the country to focus on to achieve economic growth. Lebanon's economic woes were in sharp focus, after local daily *Al-Akhbar* published comments by then-caretaker finance minister, Ali Hassan Khalil, on January 10, in which he suggested Lebanon may restructure its debt. As a result of the comments, which Khalil later denied, Lebanese eurobonds dropped to then-record low values. Moody's investor service announced on January 21 that Lebanon's

long-term investment rating had been downgraded due to the heightened risk of debt rescheduling by the government.

Key absences make for toothless Arab summit

Internal Lebanese issues and international political divisions resulted in a disappointing turnout at the Arab Economic and Social Development Summit held in Beirut on January 19 - 20, during which Lebanese officials called for the return of Syrian refugees. Of the 22 Arab League member states, 20 attended the summit, however, most were represented by prime ministers, foreign ministers, or finance

ministers; only three of the eight expected heads of states showed up. A key sticking point deterring Arab leaders was disagreement over whether Syria should rejoin the league in reversal of its 2011 suspension. An additional layer of animosity emerged following protests in Lebanon against the involvement of Libya, where Shiite cleric Imam Musa al-Sadr disappeared in 1978, resulting in the Libyan delegation boycotting the summit. Following the summit, on January 21, Qatar announced its intention to buy \$500 million in Lebanese government bonds—this purchase has to date not been documented.

A new cabinet is formed

After 252 days without a government, Lebanon's cabinet was announced on January 31. The 30-member cabinet was formed following a flurry of speculation and the announcement that Lebanese Forces leader, Samir Geagea, had agreed to trade the Culture portfolio for Minister of State for Administrative Development. The new cabinet was being hailed as a government of national unity, with no one party achieving a definitive blocking third. There were also four female ministers announced: Violette Safadi as minister of state for the empowerment of women and youth, May Chidiac as minister of state for administrative development, Nada Boustany as energy minister, and Raya el-Hassan as interior minister, the first Lebanese woman to hold that position.



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LAST YEAR

FEBRUARY

Lebanese man sets himself on fire over child's school fees

Georges Zreik, a taxi driver from north Lebanon, lit fire to himself outside his daughter's school on February 7 in protest over the school's refusal to release his daughter's transcript. Zreik was rushed to a hospital in Tripoli where he later succumbed to his injuries. Local media reports indicated that the dispute between Zreik and Bkeftine Orthodox College, a private elementary school, was over the late payment of school fees. There were disagreements between the school and Zreik's family as to what was owed and how much Zreik had paid. The education ministry ordered an investigation into the incident, telling the press that Zreik had not approached them over the issue. Zreik's death sparked sympathy and outrage across the country.

Cabinet gains the confidence of Parliament

Parliament voted to give confidence to the new cabinet on February 15, with 111 in favor, six against, and 11 absent. The cabinet's ministerial statement largely focused on economic issues. Over the course of the three-day session, however, there were several verbal

spats in the chamber, most notably between Hezbollah MP Nawwaf Moussawi and Kataeb MP Nadim Gemayel, which led the Hezbollah MP to be reprimanded by his party. Cabinet, meanwhile, also got off to a rocky start when the new minister for the displaced, Saleh Gharib, visited Damascus on February 20 to discuss the refugee file. The visit marked a major shift from the previous cabinet, in which the refugee portfolio was with the Future Movement, and caused disagreement within the new cabinet that forced the early breakup of its first session on February 21.

First meeting after PM Hariri wins confidence vote

First meeting after government formation was held on February 18 with the International Financial Corporations and the Council of Development and Reconstruction. to tackle the next steps into implementing CEDRE, which included discussions of a 22-point economic plan needed to unlock funds.

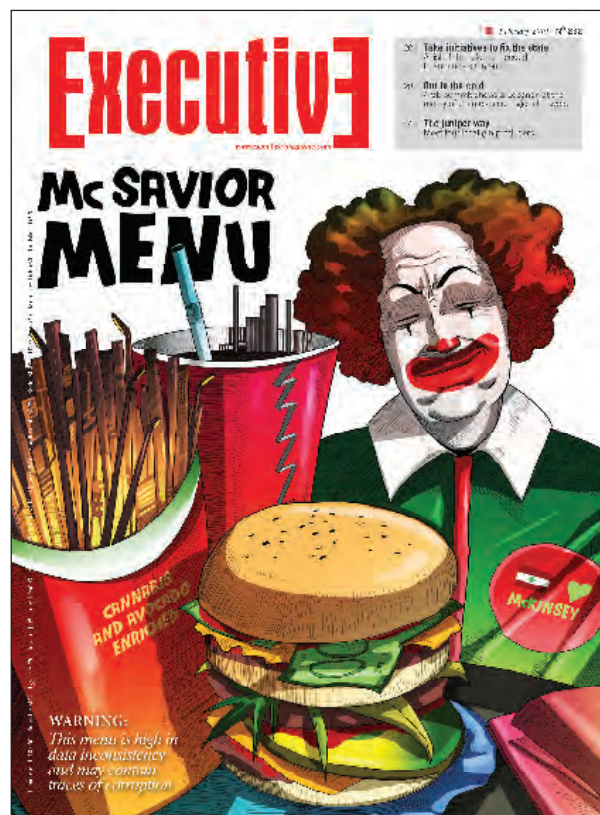
UK labels Hezbollah's "political wing" as a terrorist organization

The UK Home Secretary, Sajid Javid, announced on February 25 that the UK would be designating the entirety of Hezbollah as

a terrorist organization, meaning that being a member of, or offering support to, Hezbollah would now be a criminal offense in the UK. The UK Home Office and its Lebanon ambassador released statements reaffirming the UK's support for Lebanon despite the ban. However, the ban meant that any UK group funding or supporting projects from the health or youth and sports ministries would no longer be accessible as these are controlled by Hezbollah or Hezbollah-linked individuals.

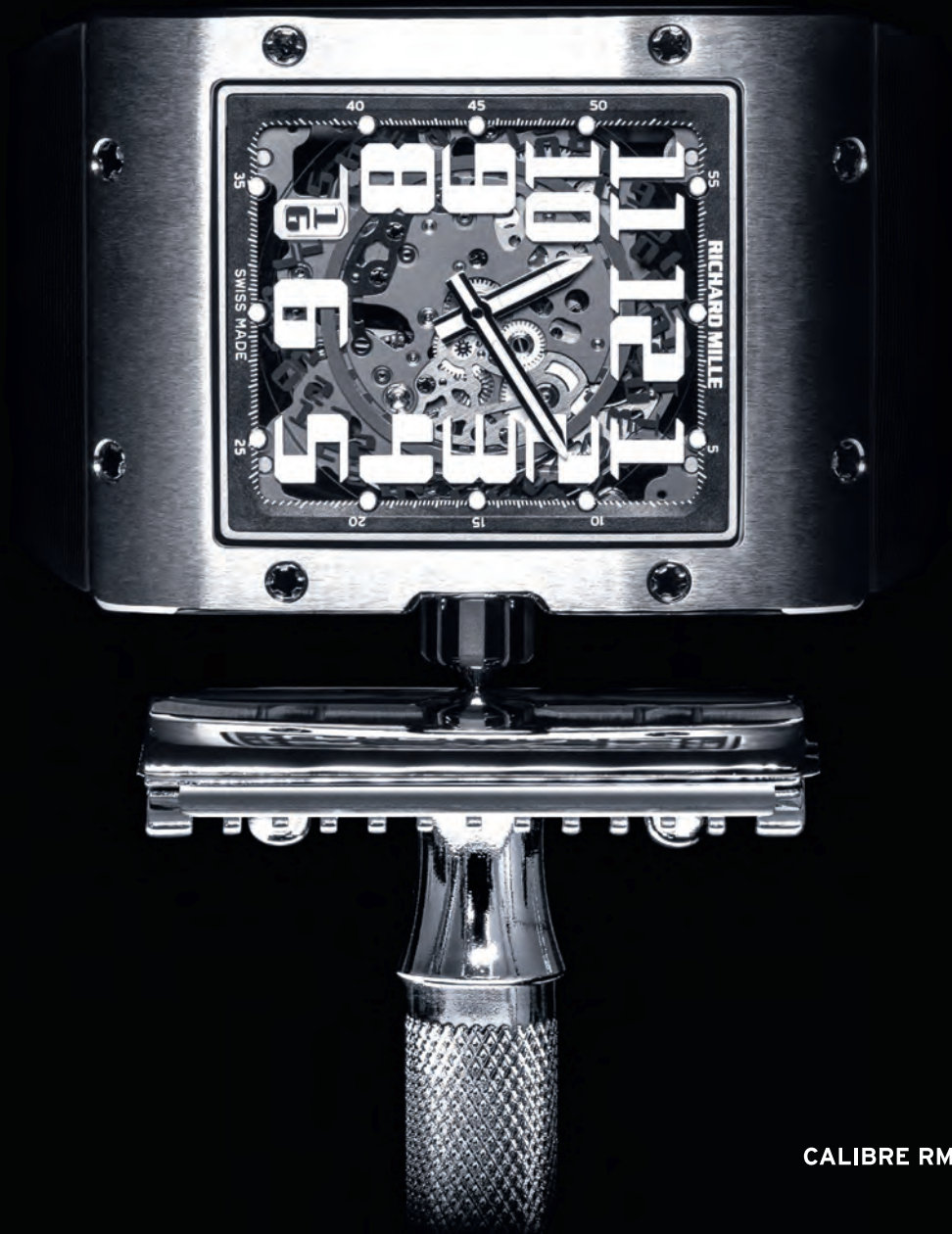
Court rules in LBCI dispute

On February 28, Judge Fatima Jouni ruled that the Lebanese Forces (LF) would not regain ownership of LBCI, dropping charges against current chair Pierre Daher. LF leader Geagea filed a lawsuit in 2007, where he sought to restore ownership of the channel and denied having sold it to Daher. The LF owned the station under the name LBC until the party transferred ownership of the station in 1992 when it became apparent Geagea would face jail-time. The judge ruled that LBC was established by funds raised by the LF's then-militia and so—based on the premise that funds raised during the civil war are the property of the Lebanese state and people—had Daher not established LBCI with funds he secured in bank loans then the channel would have been state property.



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LAST YEAR

MARCH

Budget passage delayed, government calls for cuts

On March 5, Finance Minister Ali Hasan Khalil announced that the finance ministry had handed over its report on public sector spending between 1993 and 2017 to the Court of Audit, the body tasked with auditing public finances. This came on the heels of Hezbollah MP Hasan Fadlallah accusing former Finance and Prime Minister Fouad Siniora on March 1 of illegally spending \$11 billion during his tenure, an accusation Siniora denied. The Court of Audit investigation and delays in cabinet formation had temporarily stalled the passage of the 2019 budget. Lawmakers were looking to slash spending to reduce the budget deficit so that the state can access \$11 billion pledged by foreign donors and lenders.

Lebanon appeals for funds at Brussels III

At the Brussels conference on "Supporting the future of Syria and the region" on March 12 - 14, Prime Minister Saad Hariri asked for help in facilitating the return of more than 1 million Syrian refugees from Lebanon to Syria. Notably missing from the ranks of the Lebanese delegation in Brussels was Saleh Gharib,

Minister of State for Refugee Affairs. Hariri's Future Movement is opposed to normalizing ties with Syria, while Gharib is close to the Lebanese Democratic Party that has ties to the Syrian government. At the conference, which aimed to garner financial support for states that host Syrian refugees, Hariri requested \$2.6 billion that he said would appropriately fund Lebanon's response plan to the crisis. Pledges for the region in 2019 reached \$7 billion.

Cabinet appoints Military Council, considers new electricity plan

The cabinet filled four vacant spots on the Military

Council in March 21 meetings as part of a 54-item agenda. Also during the cabinet meeting, Minister of Energy and Water Nada Boustani introduced plans to solve the country's electricity problems. The cabinet said it formed a committee to further evaluate the present electricity plan and would also look into onshore oil and gas exploration laws. The new plan's goals were to reduce Electricité du Liban's (EDL) financial deficit and improve electricity through measures that include building two new power plants in Selaata and Zahrani.

US Secretary of State Pompeo visits Lebanon

US Secretary of State Mike Pompeo visited Lebanon March 22 - 24. Pompeo met with top state officials and Lebanese Army Commander Joseph Aoun, stressing US support for the Lebanese Armed Forces. Pompeo repeatedly spoke against Iran and Hezbollah, branding the former an "outlaw nation" and the latter "its terrorist affiliate." Speaking at a press conference with Pompeo, Foreign Minister Gebran Bassil made the point of stating that Hezbollah has popular support in the country and was not a terrorist organization. In response to Pompeo's statements, Hezbollah Secretary General Hassan Nasrallah stated in a March 26 speech that Israel, with US backing, was a danger to Lebanon.

Aoun meets with Putin on refugee file

President Michel Aoun met with Russian President Vladimir Putin on March 26, as part of an official visit to Moscow. Both presidents expressed support for Russia's refugee return initiative. Russia had offered to help repatriate Syrian refugees from Lebanon, Jordan, and Turkey 2018 but the plan, which drew concerns from the UN and other stakeholders, was on hold due to funding issues. Also discussed was the US' decision on March 25 to officially recognize Israeli sovereignty in the occupied Golan Heights, with Aoun reiterating his strong opposition to the move.



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LAST YEAR

APRIL

Second round of oil and gas licensing launched

On April 4, the cabinet approved the launch of Lebanon's second offshore oil and gas licensing round. Energy Minister Nada Boustani announced the new tender the following day at a press conference. Cabinet approved the recommendation of the Lebanese Petroleum Authority to open Blocks 1 and 2 in the northern Exclusive Economic Zone, Blocks 8 and 10 in the south, and Block 5 in the middle of the Exclusive Economic Zone. Companies must form a consortium of three companies to place a bid for tender, due January 31, 2020.

Electricity plan passed

The Council of Ministers approved a new electricity policy paper on April 8 that according to the energy ministry was aimed at providing 24-hour electricity and reducing EDL's deficit. The plan entailed building six new power plants over the next six years, and was scheduled to be implemented in full over the next decade with short-term and long-term measures specified. The plan sought to secure 1,450 MW of temporary power by early 2020 to reach 3,500 MW output, which would be enough to secure round-the-clock power. In the long term,

the policy called for new electricity generation plants to be built at Deir Ammar, Zahrani, Selaata, Zouk, Hreishah, and Jiyyeh. EDL forecasted that their deficit would shrink from \$1.4 billion in 2019 to \$574 million in 2020.

New US measures target Iran, Hezbollah

Hezbollah Secretary General Hassan Nasrallah said that they would retaliate should Washington take steps to "threaten our nation" in an April 10 speech. He added that the US' designation of the Islamic Revolutionary Guard Corps—a branch of Iran's armed forces—as a terrorist organization on

April 8 was reflective of current US foreign policy. In a March speech, Nasrallah had called on Hezbollah's supporters to donate to the party, the finances of which have been targeted by US sanctions, and warned that sanctions were likely to get worse. He called sanctions and terror designations a "form of war." On April 17, US Secretary of State Mike Pompeo said that President Trump would increase pressure on Iran; on April 22 the US announced it would end sanction exemptions for major importers—a move intended to limit Iran's ability to export oil. On April 23, the US launched a \$10 million reward program

for information that could help identify Hezbollah financial networks.

Jamali wins Tripoli by-election

The Future Movement's Dima Jamali was victorious in Tripoli's by-election on April 14, winning Tripoli's fifth Sunni parliamentary seat with 68 percent of the vote, according to preliminary figures released by the Future Movement. Turnout, however, was only 12 percent.

Leaked draft budget light on austerity measures

On April 27, a truncated version of the 2019 budget was leaked, containing the main budget proposals due to be debated by cabinet on April 30. Notably absent from the document were nine pages which, based on the appendixes, contained austerity measures like a 3 percent reduction on the monthly pension of retired military personnel. However, the leaked budget did not seem to align with Prime Minister Saad Hari's April 17 comments, when he had warned the Lebanese to prepare for "unprecedented" austerity to ward off a national economic "catastrophe." On April 30, retired military and security personnel blocked the entrances to the Port of Beirut and Banque du Liban (BDL), Lebanon's central bank, to protest any budget measure that would affect their pensions. Pre-emptive protests by public sector workers also took place earlier in the month.



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LAST YEAR

MAY

Former Maronite Patriarch Cardinal Sfeir dies at 98

Former Maronite Patriarch Cardinal Nasrallah Boutros Sfeir died on May 12, days before his 99th birthday. Sfeir was laid to rest in Bkirki on May 16, with thousands of mourners in attendance. Appointed patriarch on April 19, 1986, during the Lebanese Civil War, Sfeir was made cardinal by Pope John Paul II in 1994. He was succeeded by the current patriarch, Beshara Rai, in 2011.

US agrees to mediate border talks between Lebanon and Israel

On May 18, the US agreed to Lebanon's request to mediate talks between Lebanon and Israel to demarcate the maritime border. On May 27 Israel agreed to take part in these negotiations. The talks were touted to be headed by US Assistant Secretary of State for Near Eastern Affairs David Satterfield, and aimed at settling the land border dispute with mediation from the UN. There are nearly 860 square kilometers of disputed waters claimed by each country.

State wraps up probe on illegal hires

MP Ibrahim Kanaan, chair of Parliament's Finance and Budget Committee announced on May 23 that a probe into illegal state hiring found that 37,000 employees had been hired unlawfully. Article 21 of Law 46 (2017) had called for a freeze in public-sector hiring to reduce state expenditures. The committee discovered that thousands of employees hired in public administrations held positions with no legal description; 37,022 employees were hired in violation of laws and regulations, 5,013 were hired during the freeze, and the other 32,009 were hired

before the freeze went into effect. Many of these employees were hired before the 2018 parliamentary elections, fueling allegations that this was done to boost parties' electoral support.

2019 budget approved by Cabinet

On May 27, Lebanon's state draft budget was approved by the cabinet after weeks of wrangling and missed deadlines. The draft was passed on for parliamentary approval, which Speaker Nabih Berri said at the time may take another month. Roiled by rumored austerity measures, protesters

had taken to the streets over the previous month. The latest round of protests took place as cabinet met to approve the budget, with veterans expressing concern over potential cuts to their pensions. The 2019 budget had been touted by Prime Minister Saad Hariri as one of the "most austere in the history of Lebanon," with politicians scrambling to agree on measures to raise revenues and decrease spending, in the hope of unlocking some of the \$11 billion in funding pledged by international donors at CEDRE. The budget deficit, 11.5 percent in 2018, was to be reduced to 7.59 percent, per the draft budget. Also included was a plan to cut \$660 million from the debt servicing bill by issuing treasury bonds at 1 percent interest to the Lebanese banking sector. Other measures included a 2 percent tariff on imported products and an increase to a 25 percent income tax on individuals and enterprises earning an annual income of LL225 million or higher. Civil servants on pensions and current and former prime ministers, house speakers, MPs, and presidents were to pay income tax. Three percent were to be deducted from retirement salaries for army personnel to fund their healthcare and social assistance benefits.



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LAST YEAR

JUNE

Four security personnel killed in Tripoli attack

A lone gunman killed two army officers and two members of the Internal Security Forces (ISF), wounding others, in an attack on June 3. Abdel-Rahman Mabsout was reported to have fought with Daesh in Syria. He was shot and killed when security forces stormed the residential building he was holed up in.

Lebanon close to talks on maritime borders with Israel, Syria

Israel Energy Minister Yuval Steinitz announced on June 19 that Israel expected to start US-mediated talks with Lebanon to demarcate their shared maritime border in July.

The talks had hit a roadblock over the level of UN involvement in any future negotiations, for how long Israel would halt construction in disputed areas, and whether negotiating points may be delivered verbally or in writing. In Russian news outlet Sputnik on June 15, Defense Minister Elias Bou Saab said that Syria was also looking to demarcate its maritime border with Lebanon. The minister said that the Russians had an economic interest in the issue, given

that Russia's Novatek is part of a consortium of international oil companies set to begin exploration in Lebanon's offshore Block 4 in December. On July 5, the Israeli Energy minister "voiced frustration" with the refusal of the Lebanese side to take part in talks.

Budget committee takes month to review draft budget

On June 25, MP Ibrahim Kanaan, head of Parliament's Finance and Budget Committee announced that the committee had approved 80 percent of the draft budget and would finish its review in early July. Moody's Investors Service

said in a June 25 credit analysis that despite inclusion of fiscal consolidation measures in the 2019 draft budget, Lebanon was seen to be at an increased risk of debt rescheduling or a different liability management exercise due to slowing capital inflows in Lebanon and weaker deposit growth.

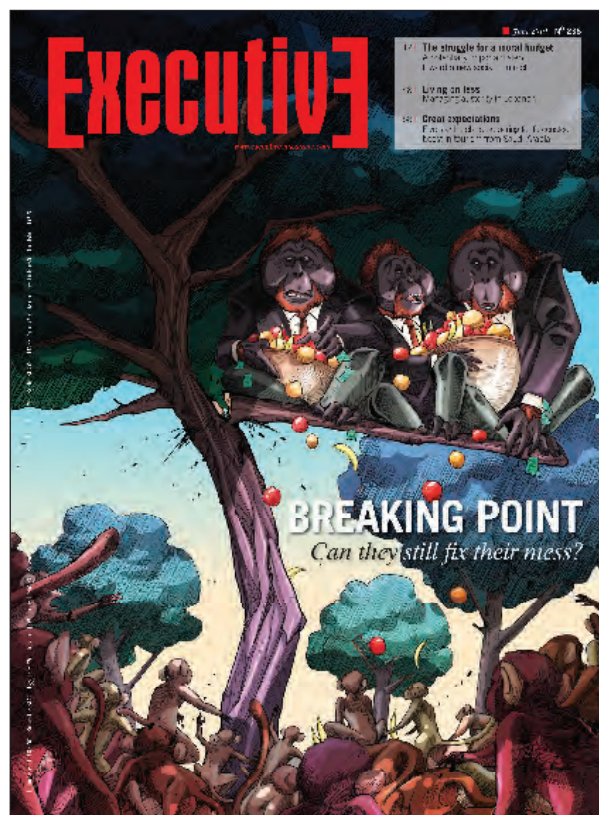
"Peace to Prosperity" conference takes place in Bahrain

On June 25 - 26, Bahrain hosted the US-led "Peace to Prosperity" workshop, a proposal for solving the Israeli-Palestinian conflict that US President Donald Trump has called the "deal

of the century." As an official Palestinian delegation boycotted the conference, Lebanon abstained from sending a delegation, as did Iraq. The official Israeli delegation pulled out of the workshop, citing security concerns; Israeli businessmen and members of the Israeli press were still present. On June 23, speaking ahead of the conference about Lebanon's refusal to attend, Speaker Nabih Berri said that any offer intended to help the Palestinians must recognize refugees' right to return. The plan earmarked \$6.3 billion primarily for infrastructure projects in Lebanon.

Lebanese University professors suspend strike

On June 28, Lebanese University (LU) professors decided to suspend an ongoing strike, after Education Minister Akram Chehayeb promised to address their concerns. Teachers had begun striking on May 6 over concerns the draft budget would reduce LU's funding by nearly 9 percent, equaling \$25 million. Cuts to state contributions to salaries would be 10 percent, or \$2 million. Chehayeb said that an agreement had been reached with Finance Minister Ali Hasan Khalil that would increase the minimum period state employees must work before they can retire from 20 to 25 years.



Cabinet work stalled over Qabr Shmoun incident

On July 2, Prime Minister Saad Hariri decided to postpone a cabinet meeting following tensions over the shooting in Aley that took place the preceding weekend. Two aides of Minister of State for Refugee Affairs Saleh al-Gharib were killed in Qabr Shmoun following a confrontation between his convey and armed men affiliated with the Progressive Socialist Party (PSP). The clash took place in the context of a tour of the area by Free Patriotic Movement (FPM) leader, and foreign minister, Gebran Bassil, accompanied by the Lebanese Democratic Party (LDP)-affiliated Gharib, which had met with backlash from local PSP supporters. There were conflicting narratives as to who fired first. LDP leader Talal Arslan called for the Aley shootings to be taken to the Judicial Council, Lebanon's highest judicial court; the cabinet was split on the issue. An attempt by General Security head, Abbas Ibrahim, to negotiate between the two sides to have the case tried in front of the military tribunal was rejected by Arslan.

Labor crackdowns lead to protests by Palestinians

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

ture, construction, and environment/cleaning sectors, and needed to obtain sponsorship from an employer. However, the move sparked mass protests in all 12 Palestinian refugee camps across the country, with Palestinians arguing they cannot be treated as foreign workers as they were not able to provide the documents necessary to obtain labor permits. Palestinians in Lebanon have long had limited access to employment, often working in the informal economy, moving between employers. As of July 24, Abousleiman had taken measures to quell the protests, by, for exam-

ple, exempting Palestinians from having to enroll in social security, but protests were still ongoing several months later.

2019 Budget passed by Parliament

On July 19, Parliament passed the 2019 state budget, which passed with 83 votes for, 17 against, and one abstention. President Michel Aoun delayed signing the budget until July 31, citing issues with article 80 that would cause all civil service applicants who have passed the Civil Service Board exams to be hired. This was seen as problematic for those who wish to keep a sectarian balance within the civil service, as it would tip the scales in favor of Muslim representation. The approved budget sought to reduce the deficit to 7.6 percent of GDP from 11.5 percent in 2018. The IMF estimated the plan would fall short, instead estimating a 9.75 GDP deficit. The budget included efforts to cut public spending and increase revenue generation. Concerned the budget would reduce their benefits, army veterans protested the budget, and on the day lawmakers passed the budget, protestors attempted to storm Parliament. Employees of the state-run telecommunications company Ogero also protested cuts to their salaries proposed in the draft budget the day prior to its adoption.



LAST YEAR

AUGUST

Cabinet meets after six-week deadlock

Cabinet met on August 10 after six weeks of political deadlock following the security incident in Qabr Shmoun. Four days prior to cabinet reconvening, EU officials postponed a scheduled visit to Lebanon, calling for normal government activity to resume. Cabinet announced investigations would be launched into the late June security incident. On August 12, Prime Minister Saad Hariri went on a five-day trip to America, the last day of which he had a 40-minute meeting with US Secretary of State Mike Pompeo where he thanked him for America's commitment to the Lebanese army. At a following session on August 22, cabinet announced its share of five appointees out of a total of 10 to the Constitutional Council. Parliament had previously elected their five representatives at the end of June. A special session was also held on August 27 to tackle the country's mounting waste problem, with most elements of Minister of Environment Fady Jreissati's waste management roadmap being adopted.

Fitch downgrades Lebanon, S&P maintains rating

International credit ranking agency Fitch downgraded Lebanon's credit rating August 23 to CCC from its previous B- rating. Standard & Poor maintained its B-/B long- and short-term foreign and local currency sovereign credit rating. In a statement on the decision to downgrade Lebanon to CCC, Fitch noted: "The downgrade of Lebanon's IDRs reflects intensifying pressure on Lebanon's financing model, increasing risks to the government's debt servicing capacity. Downward pressure on banking sector deposits and central bank foreign reserves and increasing dependence on

unorthodox measures by the central bank (Banque du Liban) to attract inflows illustrate increased stress on financing."

Tensions rise after Israeli drone strikes

The latest round of escalations between Hezbollah and Israel began August 25 when one Israeli drone crashed and another exploded over Hezbollah's media offices in Dahiyeh, south Beirut, injuring three. Hours earlier, Israel had launched attacks that killed two Hezbollah fighters in Syria. Hezbollah leader Hassan Nasrallah responded to the attacks, saying that they were a violation of the rules of engagement.

Further escalating tensions, Israeli warplanes hit a Popular Front for the Liberation of Palestine (PFLP) base east of Zahle near the Syrian border on August 26. The PFLP fought inside Syria alongside Hezbollah and the Syrian army. President Michel Aoun issued a statement August 26, likening the strikes in Dahiyeh to a "declaration of war," while Prime Minister Saad Hairiri met with ambassadors and the deputy heads of mission of the UN Security Council to discuss the violation of Security Council Resolution 1701. The UN called for "maximum restraint" from all sides. Sources close to Hezbollah told Reuters on August 27 that Hezbollah was preparing a "calculated strike" against Israel, but sought to avoid a new war. Lebanon's Higher Defense Council met on August 27, affirming "the right to defend themselves against any attack."

US sanctions Jammal Trust Bank

The US Department of the Treasury's Office of Foreign Assets Control sanctioned Jammal Trust Bank for allegedly facilitating banking activities for Hezbollah. The Lebanese bank responded that it would appeal the decision. The Association of Banks in Lebanon said it regretted the decision, and assured customers their money in the bank would be safe. The bank underwent voluntary liquidation in September.



Hezbollah Israel flare-up cools, but US ups pressure with sanctions

Hezbollah fired several anti-tank missiles across the border toward the village of Avivim in Israel on September 1 following a series of escalations in August. Hezbollah claimed to have destroyed an Israeli military vehicle in the attack, killing and wounding those inside—Israel denied casualties. In response, the Israeli army fired over 100 artillery shells targeting areas near Maroun al-Ras in Lebanon. Pressure on Hezbollah continued to mount as the US had imposed new sanctions on four members, including senior members of Hezbollah's Jihad Council. On September 22, US Treasury's Assistant Secretary for Terrorist Financing Marshall Billingslea arrived in Lebanon for a two-day visit, where he assured Lebanese officials that the US did not have a list of Lebanese banks it intended to target, but repeated that the goal of the US treasury was to deprive Hezbollah of its financial support.

Cabinet studies 2020 budget

Officials declared a "state of economic emergency" on September 2. In an effort to secure funds totaling more than \$11 billion pledged at CEDRE, Lebanon sought

to pass the 2020 budget on time in order to begin fiscal reforms. Prime Minister Saad Hariri told reporters on September 15 that the budget is part of a three-year plan linked to the 2021 and 2022 budgets. On September 27, according to *The Daily Star*, Telecommunications Minister Mohammad Choucair, a budget committee member, hinted there could be new taxes to help generate revenue and reduce the state's deficit.

Lebanon eyes unlocking CEDRE funds

Prime Minister Saad Hariri met with the French envoy in charge of following up on the implementation of CEDRE, Pierre Duquesne,

on September 5. At a press conference at the end of his visit, Duquesne assured Lebanese politicians that no donors had expressed an intent to cut funds, but said Lebanon needed to act quickly to implement fiscal and infrastructure reforms. Hariri headed to France to meet with French President Emmanuel Macron on September 20, to discuss CEDRE investment. Hariri also discussed Saudi engagement with CEDRE projects with Saudi Finance Minister Mohammed al-Jadaan on September 21. In its September 23 session, cabinet agreed to form a ministerial committee to tackle essential reform

measures. On September 24, President Aoun met with Macron to discuss CEDRE funds in New York on the sidelines of the UN General Assembly meeting.

Future TV suspends operation

On September 18, Prime Minister Saad Hariri announced the suspension of Future TV's operations. As a result of Future TV's closure, over 350 workers lost their jobs after being on strike since July 30 for not receiving their salaries for 24 months.

Fears of dollar shortage sparks strikes, protests

Protests broke out across Lebanon on September 29 over the country's worsening economic situation. On September 18, gas stations had shut down in protest over an inability to secure dollars at the official rate. An open-ended strike began on September 26, but was suspended the following day after the central bank agreed on a mechanism to allow gas stations owners to purchase gasoline at the official peg. Fear over the potential dollar shortage was stoked by residents facing issues withdrawing dollars and depositing Lebanese lira in dollar accounts, along with higher unofficial exchange rates. BDL Governor Riad Salameh promised to issue a new circular on October 1 to organize the provision of dollars to banks at the official rate to secure imports of petrol, medicine, and wheat.



LAST YEAR

OCTOBER

Strikes over dollar shortages continue

On October 1, Banque du Liban Governor Riad Salamé issued a new circular to organize the provision of dollars to banks at the official rate to secure imports of petrol, medicine, and wheat. Despite this, on October 8, mill owners announced they would begin selling their products in dollars, not lira. On October 10, the Union of Bakery Owners threatened to begin striking four days later if no solution was found to the dollar shortage that made it difficult for bakers to secure supplies at the official exchange rate. Importers pay for their products in dollars but sell them in lira. On October 15, Prime Minister Hariri met with a delegation from the Syndicate of Bakery Owners, and the strike was called off after Hariri pledged to solve the issue within 48 hours. Similarly, on October 11, in a televised news conference, Sami Brax, head of the Syndicate of Gas Station Owners, said that state officials had failed to honor an agreement that allowed them to purchase fuel with the local currency. Gas station owners also said banks were not supplying them with dollars needed to buy imports following a short-

age in dollar reserves. Fuel importers and gas stations went on strike across the country. On October 12, Hariri again assured gas station owners that they would be able to purchase fuel with Lebanese lira, ending the strike.

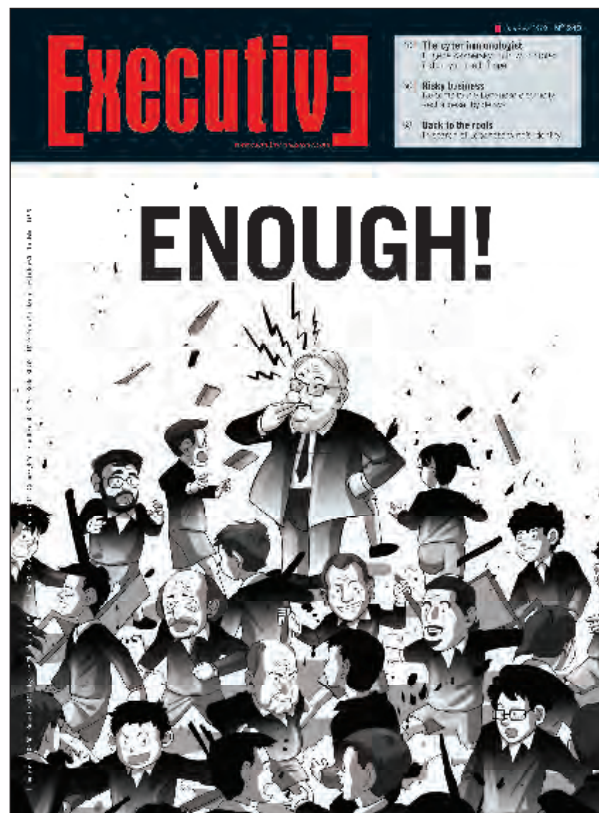
Wildfires devastate Lebanon

Wildfires broke out in Lebanon beginning Monday, October 13. Over the next two days, 125 fires spread across the country. In 48 hours, between 1,300 and 1,500 hectares were burned, doubling yearly average losses of 1,200 to 1,300 hectares, which had already been lost this year.

Two people died as a result of the wildfires, one from smoke inhalation and another who was struck down by an emergency vehicle. The Lebanese Red Cross reported that 18 were hospitalized and 88 received medical care. Three Sikorsky firefighting helicopters donated to the government in 2009 by a coalition of citizens had not been maintained; Lebanon had to rely on help from Cyprus, Jordan, and Italy to put out the fires alongside Lebanon's own volunteer firefighters. A thunderstorm in the evening of October 15 played a large role in putting out the bulk of the fires.

Economic grievances erupt into nationwide protests

On October 17 protests erupted across the country, triggered by media reports earlier Thursday that cabinet had agreed on new taxes under the 2020 budget, including a tax on Voice over Internet Protocols (VoIP) that would have cost up to \$6 per month for those using WhatsApp calls or other VoIP apps. Clashes between protesters and bodyguards of Minister of Education and Higher Education Akram Chehayeb occurred in central Beirut, with the bodyguards firing shots into the air. A photo of protester Malak Alaywe kicking one of Chehayeb's armed bodyguards in the groin became the first icon of the protests. Reports described spontaneous protests breaking out across the country, from Tripoli in the north to Sour in the south, with protesters burning tires, building bonfires, and blocking roads. Two Syrian migrant workers were killed after the Downtown Beirut building they were in was set alight. On October 18, then-Prime Minister Saad Hariri set a 72-hour deadline for reforms. Banks and schools were shut across the country; banks remained shuttered for two weeks. On October 19, Secretary General Hassan Nasrallah backed the cabinet in a speech. Protesters in Sour were met



with violence. On October 20 protesters came out in force, with estimates of over a million people demonstrating across the country.

Hariri's reform package, 2020 budget, fail to quell protests

On October 21, Hariri announced his cabinet's reform package, with measures including cutting the deficit without increasing taxes. The reforms did little to quell the protests. Cabinet also passed the 2020 state budget October 21, which supposedly aimed to enact no new taxes but reduce the deficit to 0.6 percent, with the Banque du Liban (BDL), Lebanon's central bank, and private banks contributing \$3.4 billion toward this aim. On October 22, artists stormed Tele Liban in protest over its lack of coverage of the uprising, while the head of the National News Agency (NNA), which had been covering the protests, Laure Sleiman, was dismissed. Minister of Information Jamal Jarrah appointed Ziad Harfoush as the new director of the NNA. Hundreds of protesters gathered outside BDL, chanting that Governor Riad Salameh was a thief; similar protests were staged in front of Tripoli's central bank branch. On October 23, a week into the uprising, protests in Nabatieh turned violent, leaving 15 injured; and

one person taken to the intensive care unit. Amal denied any involvement in the clashes.

Aoun, Nasrallah address the nation, protesters create human chain

On October 24, President Michel Aoun addressed the nation, announcing that he would hold everyone who embezzled public funds accountable and that economic reform would save Lebanon. He also said that he was ready for "constructive dialogue" with representatives from the protest movement, which remained leaderless. His speech, which was pre-recorded, fell on deaf ears. Key thoroughfares in and outside of Beirut remained closed, despite some scuffles between the army and protesters as the former attempted to reopen them. The Association of Banks in Lebanon announced that banks would reopen as soon as the situation stabilized. Schools and universities remained closed. On October 25, Nasrallah made a second speech, saying he refused to accept the resignation of the government and alleging foreign backing for the protests. Nasrallah called for roads to be unblocked, but protesters remained in the streets despite aggression from Hezbollah supporters in areas including Sour, Nabatieh, and Riad el-Solh prior to the speech. On October

26, a 171-kilometer "Lebanese Human Chain" was formed across the country, from north to south, by tens of thousands of Lebanese in an expressed manifestation of national unity.

Violence erupts in Downtown Beirut, Hariri resigns

On October 29, Hezbollah and Amal affiliates carried out unprovoked violent attacks against protesters at the Fouad Chehab bridge, known as "the Ring," in central Beirut. The group of attackers, shouting slogans that identified them as Hezbollah and Amal supporters, moved on to Riad el-Solh and Martyr's Square, attacking people with sticks and pipes and destroying tents. Following the violence, and nearly two weeks into protests that had gripped the entire nation, Hariri announced his resignation in a live address; under the Lebanese constitution this meant the resignation of the entire cabinet. Afterwards, he headed to Baabda Place and handed his written resignation to President Aoun, who accepted and the next day issued a decree to keep the government on in a caretaker capacity until a new government was formed. Under the constitution, parliamentary consultations were to be held to nominate a new prime minister, who would then be responsible for forming a new cabinet.

LAST YEAR

NOVEMBER

Banks reopen, protests continue

Banks officially reopened on November 1, after being shuttered for two weeks since the onset of the uprising. No official capital controls were announced, but banks did set limits on withdrawals that varied from bank to bank—and from day to day. Also November 1, Hezbollah Secretary General Hassan Nasrallah gave his third address since the protests began, decrying the “unprecedented form and amounts of cursing” deployed by protesters. Protesters demonstrating inside the Association of Banks in Lebanon building in Downtown were forcefully removed and arrested, with one protester detained overnight. Protestors also gathered in front of central bank buildings in Beirut and Saida, which led to a clash between the army and the Saida protesters that left five injured. On November 3, a counter-demonstration of Free Patriotic Movement (FPM) supporters gathered in front of Baabda Palace. FPM head and caretaker foreign minister, Gebran Bassil, addressed these supporters live, calling for an end to roadblocks, the lifting of banking secrecy

on officials’ accounts, and the return of stolen public funds. Shortly after, President Michel Aoun, who had been noticeably absent in addressing mass protests around the country, gave a televised address directly to FPM supporters. Tens of thousands of anti-establishment protesters gathered across the country.

Government formation talks begin, Moody downgrades Lebanon

On November 4, Caretaker Prime Minister Saad Hariri and Caretaker Foreign Minister Gebran met to discuss government formation; no agreements

were announced. On November 5, Moody’s Investors Service downgraded Lebanon’s credit rating from Caa1 to Caa2, stating that “widespread social protests, the resignation of the government and loss of investors’ confidence have further undermined Lebanon’s traditional funding model based on capital inflows and bank deposit growth, threatening the viability of the peg and macroeconomic stability.” On the 20th day of protests, tactics changed; students began to take part, protesters marched between public institutions and the army forcibly reopened roads.

Siniora questioned over missing funds, government formation talks continue

On November 6, former Prime Minister Fouad Siniora was called in for questioning by Financial Prosecutor Ali Ibrahim over funds spent outside state budget between 2006 and 2008. This came after a group of protesters gathered outside Siniora’s home in Hamra, Bliss Street, the previous evening, calling for an investigation into the \$11 billion in extra-budgetary spending during his term. As a first step to government formation, Caretaker Prime Minister Hariri and President Aoun met on November 7 to begin consultations on choosing a new prime minister and cabinet. Hariri reportedly threatened to withdraw his candidacy, insisting on a technocratic government in line with protesters’ demand.

Parliamentary session postponed, banks go on open-ended strike

On November 11, Speaker Nabih Berri postponed a parliamentary session due to take place the next day. The session was scheduled for November 19, but remained controversial over plans to carry out a legislative session that included an amnesty bill some protesters feared would be used to protect those who had embezzled public funds. Also November 11, in a speech the central



bank governor Riad Salameh denied any change to the official exchange rate. This was followed by the announcement of an open-ended strike from the bank employees' union, alleging fears over staff safety at banks. Hezbollah leader, Hassan Nasrallah also gave his fourth televised address of the protests, this time alleging that the US was preventing Lebanon from conducting business with China, Iraq, and Syria, and that the sanctions imposed on Hezbollah are aimed at "stirring sedition in Lebanon." He also called on the Higher Judicial Council to tackle corruption files targeting any Hezbollah official. In the evening, the president gave a live interview in which he controversially said that those Lebanese who believed that there were no decent people in government should emigrate.

Thousands protest president's speech, one killed

Thousands took to the streets the night of November 11 and the next day, in response to President Aoun's speech the previous evening. During the protests on the first night, a dispute between one protester, Alaa Abou Fakhr, and an army colonel whose car was trying to pass by a road-block results in 38-year-old father-of-three Fakhr being shot dead in front of his wife and son by the army staffer who was driv-

ing the colonel. The army opened an investigation into the incident.

Ex-Minister Mohammad Safadi touted as PM candidate, hospitals strike


On November 15, local media reported that ex-Minister Mohammad Safadi had emerged as the agreed-on candidate for prime minister. His name was confirmed on November 16 by Caretaker Foreign Minister Gebran Bassil, who told press that consultations were due to start on the 18th—this was denied by Baabda Palace, which has the authority to call such sessions. Former Prime Ministers Najib Mikati, Fouad Siniora, and Tammam Salam all expressed their renewed support for Hariri for Prime Minister; Safadi withdrew his candidacy on November 16. Also on November 15, private hospitals carried out a one-day strike, protesting \$1.3 billion in unpaid government bills and issues securing medical supplies due to the dollar liquidity crisis.

Protests hit one month mark, parliamentary session blocked

On November 17, independent candidate Melhem Khalaf was elected president of the Beirut Bar Association, coinciding with celebrations in the streets over the one-month anniversary of the uprising. On November 19, a controversial parliamentary session was postponed following

thousands of protesters gathering in Downtown to prevent Parliament from sitting. Shots were fired through the windscreen of one car, as an unidentified minister drove through the protesters.

Protesters organize Independence Day marches, Khatib touted as PM candidate

Lebanon celebrated its Independence Day on November 22, with protesters organizing civil parades that took place in Downtown Beirut, in lieu of the usual military parade. The official celebration was moved to the Ministry of Defense in Yarze. Banks reopened on November 26, after a two-week open-ended strike. The Association of Banks in Lebanon released a statement saying that there would be \$1000/day withdrawal limit, but some banks set limits much lower. Caretaker Prime Minister Saad Hariri also formally withdrew his candidacy for prime minister on November 26, clearing the way for contractor Samir Khatib to become the frontrunner; he received Hariri's backing on December 3. However, on December 8, the day before consultations were scheduled to take place, Khatib withdrew his candidacy after meeting with Lebanon's top Sunni authority, Dar al-Fatwa. At time of writing, the consultations have been postponed to December 16, with Hariri as the frontrunner. Protests are ongoing. 

TIMELINE

By Sarah Shaar

Not so merry go-round

Key events in PM Saad Hariri's tenure

2016

- October 20** > Saad Hariri endorses presidential bid of Michel Aoun.
- October 31** > Aoun, backed by Hezbollah, is elected president of Lebanon, ending a two-year stalemate.
- November 3** > Hariri named as prime minister, promises a new, just electoral law.
- December 19** > Hariri begins his second tenure as PM, forming a 30 minister cabinet that includes all political parties with the exception of the Kataeb party.

2017

- March 23** > Cabinet approves first budget in 12 years.
- April 4** > PM Hariri attends Brussels Conference I on Supporting the Future of Syria and the Region to receive international aid for refugees in Lebanon.
- June 16** > New electoral law passes.
- October 20** > Cabinet commissions McKinsey & Co. to develop the Lebanese Economic Vision for the value of \$1.3 million in time for the Paris donor conference (later named CEDRE) in April.
- October 25** > US Senate passes new sanctions against Hezbollah.
- October 30** > PM Hariri visits the crown prince of Saudi Arabia Mohammad bin Salman.
- November 3** > PM Hariri meets with international affairs advisor to Iranian Supreme Leader Khamenei.

- November 4** > Reading a televised statement, Hariri resigns as PM of Lebanon from Riyadh citing the overextension of Iran in the region and fears of assassination.
- November 12** > PM Hariri is interviewed by Future TV on the reasons behind his questionable resignation adding he will be returning to Lebanon shortly.
- November 17** > After spending a fortnight in Saudi Arabia allegedly discussing Iran's policies in Lebanon and the region, President Emmanuel Macron invites PM Hariri and his family to France to discuss the region's political climate
- November 21** > PM Hariri arrives to Lebanon after meeting with Egyptian President Abdel Fattah el-Sisi in Cairo.
- November 22** > After meeting with President Aoun, PM Hariri postpones his resignation.
- December 4** > PM Hariri withdraws his resignation stating that this decision is based on the agreement that all members of the government stay out of the affairs of other Arab countries.
- December 8** > PM Hariri attends a meeting with the International Support Group for Lebanon (ISG), chaired by the United Nations and France.

2018

- January 12** > PM Hariri states that the 2018 budget will not include new taxes.
- February 18** > Council of Ministers forms committee headed by Hariri to study budget figures



PM Saad Hariri resigns after nearly two weeks of nation-wide anti-establishment protests.

March 12	> President Aoun signs draft state budget decree referring it to Parliament.	May 12	> PM-designate Hariri dissolves Future Movement's electoral body, electoral machine, coordinating branches in Beirut, Western and Middle Bekaa, Koura and Zgharta.
March 14	> Rome II donor conference is held to secure funding from France aimed at empowering the Lebanese Army and other national security institutes.	May 22	> Cabinet approves plan to save electricity sector in accordance with Energy Minister's proposals.
March 29	> Lebanon passes 2018 budget.	May 23	> Nabih Berri is reelected as Speaker of Parliament, Elie Ferzli as his deputy.
April 6	> PM Hariri attends CEDRE in Paris, with the government's Capital Investment Plan in tow. > Donors pledge \$11 billion dollars toward infrastructure projects in Lebanon, on condition of fiscal reform.	May 24	> PM-designate Saad Hariri commissioned to form new government.
April 18	> President Aoun signs 2018 state budget law.	May 28	> Deliberations to form new government begin.
April 24	> PM Hariri attends Brussels II to meet with EU officials who pledged to grant Lebanon part of 560 million euros in refugee aid.	July 17	> Parliament elects 17 committees.
April 24	> President Aoun calls caretaker-speaker Nabih Berri to reconsider article 49 of state budget law which provides temporary residency for foreigners who buy property in Lebanon.	August 9	> PM-designate Hariri and Parliament Speaker Berri meet to discuss cabinet formation. Hariri states after the meeting that delays in government formation have been the result of a competition for shares in the coming cabinet.
April 26	> Constitutional Council suspends article 49 of budget law.	September 3	> PM-designate Hariri announces that a national unity government lineup has been handed to President Aoun.
May 6	> Parliamentary elections take place under new electoral law.	September 10	> President Aoun from Strasbourg: Government will be formed soon as a balanced formula is reached. No sect should monopolize representation or marginalize any side.
May 7	> Electoral results give Gebran Bassil's Free Patriotic Movement (FPM) the biggest bloc in Parliament, with 29 seats. > Future loses seats, securing only 20.	October 9	> PM-designate Hariri says that Lebanon's economic situation calls for the immediate formation of the government within the next 10 days. The FPM and Lebanese Forces continue to argue over their shares.


TIMELINE



President Aoun, House Speaker Berri, and caretaker-PM Hariri celebrating Lebanon's Independence Day in Yarze

- December 14** > After seven months of political deadlock, members of the Sabaa Party block the entrances of the ministries of labor, social affairs, and industry to protest the delay in government formation.
- December 16** > Around a thousand people march from Hamra to Riad el-Solh protesting against government policies and the economic situation in a demonstration organized by the Lebanese Communist Party and the Popular Nasserite Organization.
- 2019**
- January 7** > McKinsey's LEV is made public by Caretaker Minister of Economy and Trade Raed Khoury, as a push from the ministry to accelerate government formation. Says the delay in publishing is the result of the delay in government formation.
- January 19** > The Arab League Economic and Social Development summit takes place in Beirut despite rumors of postponing due to disputes between Lebanese parties over the normalization of relations with the Syrian government.
- January 31** > PM Hariri forms a new 30-minister government, after eight months of deliberations.
- February 18** > First meeting after government formation is held with the Economic and Social Council to tackle the next steps into implementing CEDRE which included discussions of a 22-point economic plan needed to unlock funds.

- February 25** > First ever EU and Arab League Summit in Egypt kicks off with PM Hariri heading the Lebanese delegation in Sharm el-Sheikh.
- March 5** > Ministry of Finance hands over all the statements and documents necessary for the Court of Audit to audit the public accounts starting from 1993 until 2017.
- April 8** > Council of Ministers adopts a new electricity policy paper, aimed at reforming the sector.
- April 17** > PM-Hariri calls for the implementation of a harsh austerity budget for 2019.
- July 9** > The US sanctions Hezbollah lawmakers.
- July 19** > State budget with austerity measures is passed, four months past its deadline.
- September 20** > PM Hariri suspends Future TV due to financial troubles. Over 350 workers lose their jobs after being on strike since July 30 for not receiving their salaries for 24 months.
- September 26** > Interchangeable currency transactions on ATMs are stopped with no official statement from the Association of Banks.
- September 30** > The New York Times publishes an article on Hariri gifting South African model Candace van der Merwe \$16 million in 2013.
- October 13** > 125 wild fires break out across Mount Lebanon over two days with around 1300 acres burned. Three Sikorsky firefighting helicopters donated to the government in 2009 could not be used as they were not maintained.
- October 17** > Reports of a WhatsApp tax ignite nationwide protests, reports of burning tires and road closures across Lebanon.
- October 18** > Protests continue nationwide with schools and banks ordered to close until the early hours of the next morning, when security forces start firing tear gas and protesters move out of Downtown.

	<ul style="list-style-type: none"> > PM Hariri holds a press conference announcing a 72-hour deadline for the passing of the long overdue economic reform plan. > Protests continue nationwide calling for the fall of the regime. 	
October 19	<ul style="list-style-type: none"> > Hezbollah addresses protesters saying that Lebanon cannot afford the time to form a new government. > Lebanese Forces announces the resignation of its four ministers, marking the first tangible success of protesters' demands. 	
October 21	> PM Hariri announces a list of 17 reforms approved by cabinet that propose to cut the deficit and expedite administrative reforms without increasing taxes on the people.	
October 24	> President Aoun addresses the public for the first time since the beginning of the protests pushing the idea that PM Hariri's economic reform plan will save Lebanon	
October 29	> PM Hariri resigns.	
October 31	> President Aoun addresses the nation with a televised speech vowing to work toward a civil state and promising to implement a unified Personal Status law.	
November 1	> Banks open their doors.	
November 3	<ul style="list-style-type: none"> > President Aoun and son-in-law Minister of Foreign Affairs Gebran Bassil address Pro-FPM demonstrators gathered in front of Baabda palace in large numbers. > Tens of thousands of anti-establishment protesters gather in Downtown Beirut and all around the country. 	
November 5	<ul style="list-style-type: none"> > Moody's Investors Service downgrades Lebanon's credit rating from Caa1 to Caa2. > Road closures were forced open by the Lebanese Army on the 20th day of protesting. 	
November 6	<ul style="list-style-type: none"> > US Secretary of State Mike Pompeo: Iraq and Lebanon deserve to set their own courses free from Iranian Supreme Leader Khamenei. > School and university students embark on nationwide protests after a threat that came from the headmaster of a school in Saida against student participation, citing repercussions would be expulsion and the inability to sit for their official exams. 	
November 7	> Ex-PM Fouad Siniora questioned for hours about \$11 billion missing from state funds.	
November 8	> Lawsuit filed against Caretaker FM Gebran Bassil for charges of embezzlement, money laundering and illicit enrichment.	
November 12	> President Aoun: "If they [protesters] do not like it and there is not a single decent person in power, then they should go and emigrate." Thousands take to the streets in anger after Aoun's televised interview to denounce the emigration statement made, with one protester, Alaa Abou Fakhr shot dead during an altercation with an army colonel and the driver of the colonel's car.	
November 15	> Ex-Minister Mohammad Safadi is touted as a candidate for PM, he is rejected by anti-establishment protesters.	
November 17	<ul style="list-style-type: none"> > Melhem Khalaf, an independent candidate is elected president of the Beirut Bar Association. > Uprising's one month anniversary. 	
November 19	> Protesters block all entrances to Parliament and prevent a legislative session they deem unconstitutional. The session was to include passing of a controversial general amnesty law.	
November 22	<ul style="list-style-type: none"> > In celebration of National Independence Day, protesters organize a civil independence parade, marching from several meeting points in Beirut toward Martyr's Square. > In the official celebration, a military parade is held on Ministry of Defense grounds in the Beirut suburb of Yarze in presence of President Aoun, House Speaker Berri, caretaker-PM Hariri, and General Joseph Aoun, commanding officer of the Lebanese Armed Forces. 	
November 25	> Pro-Hezbollah and Amal protesters violently clash with anti-establishment protesters on the Fouad Chehab bridge, known as "the ring" and burn down their tents in Martyr's Square.	
December 6	> Businessman Samir Khatib withdraws his candidacy for PM just three days after he received public support from Caretaker PM Hariri and FM Bassil and one day prior to a consultations to select a new PM 	

A GATHERING OF MINDS

EXECUTIVE's roundtable initiative



When darkness and despair are the first two options on the menu for your country, followed by austerity and depression as the *plat de jour* proposals, nothing is more appropriate than to assemble a crowd of light seekers and path finders. In this sense, it is a testimony to the seriousness of the national economic, financial, and even political situation of Lebanon—and to the immense reservoir of smart and educated brains in the country—that proposals for this country's betterment have been proliferating not only in form of *thawra* pro-

tests and public sentiments on the street, but also in more structured and tractable outpourings. The drafting of emergency economic rescue plans has become something of a national sport in Beirut intellectual and business circles as of late.

The Economic Roadmap 3.0 at the heart of this issue of EXECUTIVE is one such effort. However, the EXECUTIVE economic roadmap project differs from other recent proposals in that, compared to drafts that have entered into circulation in the past two months, the maga-

zine's project has had a head start of over 18 months from its first written draft, and of exactly one year from publication of its version 1.0 in the 2018 Facts and Forecasts issue.

It is also not a monoculture effort in the sense of representing just one economic school or narrow way of thinking found in many proposals circulated in the fourth quarter of 2019. This is a notable characteristic when one contemplates the current wave of ideologically front-loaded socioeconomic propositions in Lebanon and elsewhere, whether these approaches were voiced in a spirit of globally financialized neoliberalism (that in the past decade has been met with some acerbic assessments and not only among heterodox economists or austerity-regime critics in countries like Greece) or a post-Keynesianism that has been on the rise in some academic circles (and most recently reflected in the developments of labor-oriented political parties in countries like the UK and Germany).

A COLLABORATIVE EFFORT

But the most important distinction of the EXECUTIVE Economic Roadmap in the Lebanese context is rooted in the fact that this entire project is designed for and driven by participatory passion and broad consultative collaboration. It is not an exercise that has been undertaken under any external financial dependency or in response to a political commissioning. Moreover, it has not limited its horizon politically or socioeconomically by exclusively pursuing inquiries with presumed elites and narrow interest groups.

In that vein, when the need to draft version 3.0 became clear—version 2.0 was released in February this year following consultations across the country with civil society stakeholders on the original Economic Roadmap—given the monumental economic and societal shifts that we have witnessed in Lebanon in the final few months of 2019, EXECUTIVE decided to host a series of roundtable discussions in mid-November.

These discussions, which in the end comprised six roundtables held over November 18 - 21 at Le Gray, in Downtown Beirut, covered the following topics: corruption, entrepreneurship, education, labor, women's empowerment, access to information, taxation, fiscal policy, and, argu-

ably most importantly, Lebanon's current financial reality.

EXECUTIVE's team spent a stressful two weeks trying to turn this last minute roundtable initiative into a reality, contacting over 150 individuals across varied sectors and internally creating the topics and questions to be discussed at each roundtable. In the end, around 50 individuals—economists, academics from private and public institutions, entrepreneurs, and a diverse range of civil society actors—came together to discuss issues vital to the future of the Lebanese political economy.

STARTING POINTS

These roundtable discussions were held under Chatham House rules—meaning that while the individuals present at each roundtable are listed as contributors to our Economic Roadmap 3.0, both the roadmap and our coverage in this issue of EXECUTIVE refrain from attributing ideas or quotes to any individual persons.

In conclusion of the November 2019 roundtables, it can be stated with confidence that, although

a starting point for any possible journey toward economic rescue and revival from the present and still increasing misery has to be a competent and at least marginally accepted government, the way forward has its brightest outlook in holding recurrent discussions among stakeholders in the economy. Technical knowledge is required as a pillar in any such discussion—with taxation, fiscal, monetary, and political economy deliberations tending to the highest requirement of expertise—but based on the experience of the six EXECUTIVE roundtables (for summary reports see pages 32 - 55) any future discussion rounds would actually be most productive if built on three pillars: the technical knowledge pillar and two equally important non-technical pillars, trust and commitment to Lebanon's betterment being the first, and wide stakeholder diversity on many axes—meaning not just gender balance, but also age and professional and life experience—being the second. ■

■ The most important distinction of the Economic Roadmap in the Lebanese context is rooted in the fact that this entire project is designed for and driven by participatory passion.

Corruption

By Nabila Rahhal & Sarah Shaar

ROTTEN TO THE CORE

Corruption looms over all aspects of Lebanese life



EXECUTIVE has long recognized the importance of fighting corruption as an essential step toward creating a strong economy for Lebanon. Both previous versions of **EXECUTIVE**'s Economic Roadmap (version 1.0 published in December 2018 and 2.0 published in February 2019) had sections dedicated to combating corruption, as does the reshaped Economic Roadmap 3.0 (see Roadmap page 43) that has been updated to reflect the reality of Lebanon in the last quarter of 2019, aided by the findings of **EXECUTIVE**'s roundtable initiative (see intro page 30).

The first of six roundtables held in mid-November, roundtable one on combating corruption was chosen as the opener on November 18, given its urgency in the context of the ongoing protests and the demands on the streets. Yet, over the course of all six roundtables—on corruption, on entrepreneurship, on social development, on access to rights and information, on taxation and fiscal policy, and on financial reality—corruption was a topic that participants repeatedly cited as one of the major roadblocks in the way of long overdue and necessary reforms.

The discussion brief provided in advance to participants of the corruption roundtable invited them to discuss legal initiatives to retrieve embezzled funds, the enhancement of penal codes, and the adoption of laws for prosecuting incidents of corruption. Other discussion points mentioned in the brief included the establishment of institutions to combat corruption and audit public spending, awareness and education on public service paradigms and appreciation for effective administration, and finally a redesigning of services and digital access to government.

CHANGING SYSTEMS NOT SYMPTOMS

To open the discussion, participants were asked whether institutional prevention, prosecution, or education and awareness building were the best tool in combating corruption, and which of the three were seen as a priority.

Almost all agreed the main issue lay beyond the proposed question, and that before addressing prevention, prosecution, or awareness building, the first goal must be to change the political system in its entirety—along with its leadership. It was argued that corruption in Lebanon was so flagrant because the political class failed to consider the concept of the public good, and, as a result, the citizen was never a pillar in policy-making. The consensus was that the way forward in fighting corruption was to first create a new government, independent of all current ruling parties, which would, in turn, allow for an independent and empowered judiciary system that could hold politicians to account by allowing for the legislation and implementation of anti-corruption laws—as such, participants called for the passage of laws that would grant independence to the judiciary system, as well as an independent security force that would prevent and control the use of governmental scare tactics to stop prosecution against corruption. Access to information was also brought to the table as one of the main tools that would help with the fight against cor-

ruption, in particular when it came to attempts at prosecution. (For more on access to information see Roadmap page 44.)

Corruption was also seen as being a lubricant of what was termed “the political economy of sectarianism.” Under this paradigm, corruption was not the sole purview of Lebanon’s political elite as it was argued that it was in the best interest of the latter to allow corruption to trickle down—thereby reinforcing sectarian identities and moving the populace further from an ethos of accountability.

LEADERSHIP IN THE FIGHT AGAINST CORRUPTION

The following discussion point was the question of whether or not the fight against corruption should be led by politicians or civil society members, and whether investing in e-government would benefit this fight. Most agreed on the need for leadership in the fight against corruption and that it should come from independent judicial bodies and through the establishment of anti-corruption laws. There was, however, some disagreement on whether leadership would come from above or below. A common thread among participants was that bottom-up approaches—such as the establishment of new political parties with a background in civil society and strengthening independent voices within syndicates and orders—were a necessary long term approach to combating corruption. In this vein, the victory of independent candidate Melhem Khalaf in the elections for the head of the Beirut Bar Association the day prior to this roundtable was seen by participants as the first milestone in a long battle against corruption.

Others, however, believed that change would be imposed from the top down, and therefore, before new political parties or leadership, it was necessary to rehaul the system itself or risk replicating the same corrupt leaders. It was argued that Lebanon’s sectarian constitution needed to be changed to eliminate the idea that citizens need their sects for protection and to start building the idea of protection coming from the government and a strong independent state.

Regarding e-governance, several participants argued that we needed leaders who understood modern technology and were able to put in place a system that would help fight corruption through eliminating the middle-men in bureau-

■ Participants were almost unanimous in their view that Lebanon needed to fight corruption—at any cost.



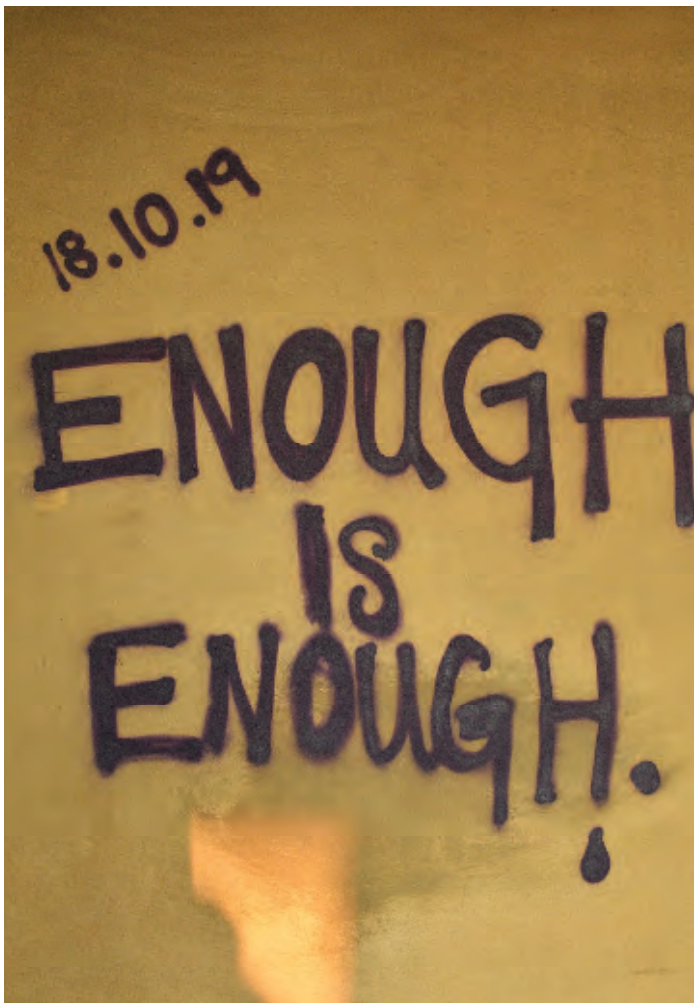
cratic procedures—who often ask for bribes—and through making it easier to trace instances of tax avoidance. However, it was also warned that given the state of the internet in Lebanon, migrating official paperwork online would be a nightmare, and the priority would need to be in fixing the internet infrastructure before even thinking of putting time and effort into e-governance.

Participants were asked to consider the fact that a society that has corruption also incurs some economic benefits from it. EXECUTIVE editors then asked for a simple yes/no response from around the table on two questions: whether they felt that the economic benefits of corruption in Lebanon would be bigger than the cost of fighting it, and regardless, whether Lebanon could afford to not fight corruption? While there were some attempts to address the first question—several participants, while acknowledging some economic benefits, argued that the cost of opportunities lost was still greater—most responses singled out the second question, with participants almost unanimous in their view that

Corruption

■ The battle against corruption is a long one, and it should be led by the new generation who have proven through this uprising to have a clear understanding of what needs to be done.

Lebanon needed to fight corruption—at any cost. One dissenting voice was against such a fight under certain circumstances, arguing that in the past, Lebanon has been able to thrive under the stewardship of moderately corrupt leaders. At this point, the moderator quoted South Korean development economist Hyun Chang, author of “Bad Samaritans,” who argued that certain elements of anti-corruption were actually promoted in order to keep developing economies from gaining an advantage—what German economist Frederich Lust termed kicking away the ladder after you have used it. This view was well-received by the table.



AN ENVIRONMENT FOR CHANGE

The judiciary's role in combating corruption was the focus of the general debate. Participants were split between the idea of working within the current system to change it versus the need to change the system altogether. One argument for the former was that honest lawyers could impact positive change despite a corrupt system. This argument was met with criticism by others who again raised the argument that corruption needed to be weeded out from the system itself, and the first step toward that goal would be an independent judiciary.

The value of a bottom-up approach was again highlighted as the preferred mechanism of achieving an independent judiciary within a corrupt environment embedded in *za'ims* and sectarian party leaders, with participants calling for a series of small victories—such as Khalaf's Beirut Bar Association win—with-in orders and syndicates that would lead to change, giving the example of professional orders in Tunisia as key to the success of the revolution there.

The idea that there were two battles being waged—one against the sectarian system, but also one within the system itself—was also floated. Within each sect are people who are fighting against their political parties, but also those who want to keep the regime as is because they benefit from it economically. Participants concluded that the battle against corruption was a long one, and that it should be led by the new generation who have proven through this uprising to have a clear understanding of what needs to be done.

Two options were suggested when the question of how long the protests could last given the current economy was asked by one of the participants: either the current government would take action before the country goes bankrupt—because it goes against their interests—or the economic situation would severely deteriorate further, which was argued could be a good thing for the protests as it would tip the scale between an uprising of middle income to lower-middle income citizens to one with full participation of lower income citizens—a full-on revolution.

Throughout, the tone of the roundtable was one of grim determination to face the difficult task of weeding out corruption through changing the current system, yet hope for a better Lebanon was evident in all the participants' answers. ■

NEW INTERIOR



RESTAURANT BAR

Mar Maroun st. Saifi

CENTRALE

RESERVATIONS: 03 915 925 / 01 57 58 58

THE GLOVES ARE OFF

Hard new looks at the tech ecosystem and its entrepreneurial future



Before the October 2019 uprising, it was not difficult to list unresolved questions and some outright disappointments with the way that the Lebanese entrepreneurship ecosystem had been shaped in the past six years since Lebanon's central bank, Banque du Liban (BDL), effectively launched it with publication of its Circular 331. In mid-November, amid the uprising, the EXECUTIVE roundtable on entrepreneurship (the second in a series of six) witnessed most of the same systemic and operational concerns as had been debated in the ecosystem before, but with two added accents: the money will never be the same, and the discussion has gained honesty and clarity.

In other words, the financial wells to nurture the knowledge economy and the few Lebanese startups with real economic promise need to be re-drilled elsewhere and meet new specifications. And everyone in entrepreneurship acceleration is beyond wasting their time on idle ecosystem diplomacy or polite compliments to the old 331 system.

In years one to three of the entrepreneurship ecosystem there were already warning signs of clientelistic allocations of projects and a lack of competency in some of the ecosystem's most privileged cogs—its units that had been established with 100 percent BDL-guaranteed funding instead of the 75-percent guarantee of bank investments into tech venture funds and startups.

Ecosystem insiders from early on also lamented about distortions that had crept in, due to money inflows under 331 that had led to inflation in startup valuations and financing pitches of more attractive looking business plans. Observers next noted very critically how the ecosystem's venture capital (VC) playing field was tilting increasingly away from super-high-risk startups that needed finance the most, in favor of investments with risk profiles tending to the private equity corner.

Throughout the entire six-year period, as they had been before the launch of 331, the existing legal and judicial frameworks remained ill-suited for facilitating an economic activity that needed permission to fail fast and reboot. Before and after 331, some good projects never even got such permission as they were killed by over-cautious investment committees. In times of 331, however, failures of ambitious startup projects happened, but they were often not revealed in ways that would allow the system's players to learn all they could from them. Transparency, from the ecosystem's financial top at BDL to its operational bottom layer of VC funds, remained as alien as an interstellar visitor.

In the latter part of the current period, from 2017 to 2019, the questionable wisdom of regulatory rules that limited 331-supported startups to allocations of their funding in Lebanon was put deeper into doubt when the financial reporting requirements for these companies, under instructions from BDL, were tightened to the point of being counterproductive.

Still, despite these flaws and other questions, such as the ability of the small ecosystem to create enough jobs to make more than a tiny dent in the long-standing employment malaise of a country that produces an estimated five to 10 times more college graduates than jobs, EXECUTIVE's reporters every year found positive aspects to point out in the ecosystem—although in 2019 less so than in previous years, and warranting far less exuberance than signaled by the foreword of an external report that was published this summer (see box on page 38).

ENTREPRENEURSHIP IN THE THAWRA AGE

EXECUTIVE noted that internal and external stakeholders—such as the promotional units attached to the system and international partners with interests in its success—had embarked on several mapping exercises from the third and fourth year after the launch of 331. These exercises, however, tended to be afflicted by the difficulty to obtain data (which was limited due to the system's very brief existence) and even more so by methodological imperfections or, all too often, special interests.

The outlooks and assessments of the ecosystem stakeholders participating in the EXECUTIVE roundtable on November 18 were decidedly uncheerful in the short term, to the point of diagnosing the death of financing paradigms that had been in force until now. According to participants, absent visibility on the future of 331, uncertainty on the ability to still tap into any of its hitherto unused funds, and a strong expectation that the funding environment would not be sustained in the coming months were juxtaposed with the understanding that entrepreneurship will be vital for economic development and job creation after the tremors in the political economy recede.

Noting that the ecosystem was nearing a pivotal juncture with need to shift from the 331 funding paradigm to activating private funding already necessary before the uprising, participants concurred that this path forward is now fully in the dark to the point of having to ask how currently operating startups will stay alive until the funding finds firmer ground. Entrepreneurial flight to other markets, meanwhile, is a downside risk of the current situation, with regard to all tech startups, hardware startups, other young companies, and even manufacturers that have the ability to move out of Lebanon.

Emphasis on the upsides of the past six years entailed the acknowledgement that 331 was responsible for assembling the entrepreneurially high-powered minds that were gathering last month at the EXECUTIVE roundtable. Participants agreed that the ecosystem's emergence under the 331 initiative was also successful in creating a new mindset and culture that is compliant with the patterns that made tech entrepreneurship succeed in those countries where it flourished, beginning with a readiness to stand up after a venture's failure.

There was a divergence of views if the shrinkage of new startups applying for acceleration in recent years was coupled with an increase in the average quality of the applying ventures. Views were also diverging on the funding environment, as some participants noted that private money at the end of 2019 has been exiting the Lebanese ecosystem, while others pointed out that investors with new unwillingness to expose themselves to the banking sector's deposit schemes have inquired with VCs and accelerators about investing into entrepreneurship (traditionally not a prime conduit for most investors due to the high risks associated with startup investing).

Broad agreement among roundtable participants showed in their emphasizing the importance of overcoming Lebanon's financial liquidity problems and preserving banking sector sustenance, given that the ability to transact with local and international counterparties is just as vital for entrepreneurial ventures as for all companies. At the same time, participants noted that tech startups and especially ventures in deep tech (focus on hard-to-copy innovations in technology and science, e.g. artificial intelligence) are more resilient due to their international migration opportunities when compared with non-tech or e-commerce entrepreneurship ventures that rely strongly on non-tradable expertise such as local market knowledge.

Experiences of the past few years cleared out some hopes of Lebanon-focuses in tech entrepreneurship, first of all expectations of fintech successes in the local market where negotiations

■ Tech startups and especially ventures in deep tech are more resilient due to their international migration opportunities.

Entrepreneurship

between startups and a small group of banks as potential clients, partners, or acquirers had, in the past 18 months, come to naught. This in the opinion of one accelerator program has ruled out entire verticals as being viable for pursuit in Lebanon, most notably fintech, but also has shown that ventures targeting small local e-commerce and e-services niches have very poor chances of success in the Lebanese entrepreneurship ecosystem.

It was important for several of the stakeholders at the roundtable to highlight that systemic limitations translate into better chances for startups whose team profiles reflect considerable expertise in the targeted field, emphasizing that entrepreneurship is not a cure-all for career and

employment obstacles encountered by university graduates. Entrepreneurship is also not the answer to business cycles, demographic mismatches, or the dearth of employment opportunities in labor markets in the Gulf that have previously attracted Lebanese graduates. Moreover, while age is not a barrier, young success stories are exceptions, and the value of being trained in entrepreneurialism in tertiary or secondary education lies mainly in students' improved ability to satisfy international employer demand for entrepreneurial thinking, it was said.

Further limitations in the system seems to be based on blind spots on the side of its agents and proponents, and distrust and lack of information on the side of entrepreneurs. According to this

UKLTH JOB CREATION CASE STUDY

A case study of the Circular 331 job creation impact of the UK Lebanon Tech Hub (UKLTH) was published in mid-2019 by the Institute for Strategy, Resilience & Security (ISRS), a unit at University College, London. Citing the UKLTH's primary mission of employment generation with a "stated goal" of 25,000 jobs to be created through acceleration and entrepreneurship programs by 2025, the study's authors arrived at job creation estimate by companies that were enrolled in UKLTH during the aforementioned three years, (over 50 percent of them in 2015) of 615 direct jobs, which were divided into 458 full-time and 157 part-time roles. For the impact in indirect job creation, the number, under usage of a common multiplier, was estimated at 1,344.

The job creation number was based on completed surveys with 49 companies in the UKLTH program, but the authors cautioned that 55 percent of the surveyed companies were less than five years old. Also, all the surveys were conducted at most three years after a company joined the program, meaning that data points were few and inference of job creation rates could not be reached with high confidence. "Our study suggests that job creation is occurring, albeit at a pace that reflects the combination of low expected initial growth rate demonstrated by even highly successful e-commerce companies and base-lined against the normal attrition rate of companies," the authors wrote and added, "This study should serve as a starting point for annual reviews, from which longitudinal data will serve to provide greater insight."

While the professed topic of the study was the success rate in terms of job creation, the ISRS paper also offered observations and recommendations on the wider development of the ecosystem and the role of Circular 331 in it. Corroborating

the perceptions that insiders to the ecosystem shared with EXECUTIVE at different times, the study's general recommendations included (1) to secure a long-term duration of the program to allow for impacts to build, (2) to ease domestic allocation requirements for funds disbursed under Circular 331, (3) to critically evaluate the flow rate of funds into startups and consider needs for seed funding, and (4) to create a transparent data base that elucidates the actual amounts disbursed into startups. Further recommendations to BDL and UKLTH advocated for improving outreach and access to funds for startups. Although much more credible than earlier assessment efforts of the ecosystem, a certain absence of intimate diligence and familiarity with the entrepreneurship ambience in Lebanon was notable from the cover image of the ISRS document, which depicted the Jupiter Temple in Baalbek (misidentified as Temple of Bacchus in its masthead), which from local perspective makes about as much sense as illustrating an academic paper on Silicon Valley with a Redwood from Yosemite. The document also opens with a foreword, signed by ISRS founder and executive chairman, the Rt. Hon. Lord Reid of Cardowan. It cheerfully (if from the perspective at end of 2019 ironically) enthuses, "Lebanon's unique combination as a geopolitical nexus with an innately entrepreneurial culture, offers it advantages in the new digital economy. In a period of what we all surely hope will be long term stability, with patience and persistence of all of the players involved, we can expect to see this having huge long term positive impact upon the recovery, renewal and transformation of Lebanon's economy."

view, many local entrepreneurs and hopefuls are invisible to the ecosystem and prefer to stay away from it because of their perceptions that the ecosystem is corrupted, the game rigged, and money not accessible to them.

Some at the table suggested that startups should avoid—at all costs—local banks and the 331 framework as hindrances on their development paths, adding that the ecosystem needs to tap into funding sources that offer invested startups the right conditions. Further reiterated were emphases on linkages to universities and boosts of research and development as well as industries and suitable exit platforms.

ECONOMIC VISION

To save the entrepreneurship ecosystem from its operational dysfunctionalities that have been building under the financial reign of Circular 331, capital guaranteed funding needs to be re-directed to only the companies that need it, said one strong recommendation. The entrepreneurship and knowledge economy ecosystem needs to be rooted in a shared and clear vision of the type of economy that Lebanon wants to have, the recommendation also noted. Entrepreneurship needs a purpose, and mindsets need to mature. Instead of pursuing a startup as the hoped-for ticket out of Lebanon, the mindset of the civil revolution should be expressed in “national entrepreneurship” commitments, while at the same time advocating for reforms of the regulatory and legal frameworks.

According to participants, options for moving forward exist also in further activation of the business angel networks created over recent years and link them to diaspora investors who want to engage with cogent entrepreneurship ideas in Lebanon. International advisory councils can also still be cultivated on the strengths of alumni networks at universities like AUB, on condition that the ecosystem is managed trustworthily.

It was noted at the table that immediate remedial action for the preservation of companies in portfolios began during the Q3 financial crunch. This action included efforts of accelerators and funds to consolidate operational costs and reduce burn rates of their hosted companies, improve coordination between startups and mentors, and create clustering benefits by bringing portfolio companies together that operate in the same industries.



Internationally connected funds and accelerator programs according to managers at the EXECUTIVE roundtable can further help startups that are faced with bottlenecks in their transactions by helping them to establish bank accounts and corporate partnerships outside of Lebanon, find “soft landing spots,” incorporate in startup-friendly jurisdictions (e.g. Delaware), and navigate legal requirements that, under conditions of global crises, can turn into economically deadly cash flow chokers.

In their concluding remarks, participants reiterated that the initiative of Circular 331 was the beginning of an experiment that can bring many benefits to the Lebanese economy, but that further development of this entrepreneurial process requires

improvements of governance structures in this country. Discussants agreed that entrepreneurial spirit is a mindset of problem solving and pointed out that all entrepreneurial ventures launched in Lebanon since the early 2000s had found themselves confronted with one or other tough period soon after their launch. The need for an entrepreneurial spirit and belief in what one is doing was undisputed around the table, as was the need to reign in uncertainty and have a functional government. ■

■ Some at the table suggested that startups should avoid at all costs local banks and the 331 framework as hindrances on their development paths.

By Nabila Rahhal

NO STUDENT LEFT BEHIND

Reinventing Lebanese education for an uncertain future



The third discussion in EXECUTIVE's roundtable initiative was designed to cover a broad selection of topics—regarding health, education, and labor—under the banner of social development. Already a dense focus, the third roundtable was further restrained when it became clear to EXECUTIVE's editors that plans to carry out 10 roundtables over the course of November 18 - 22 would be scuppered by two events scheduled to take place that week—the first, a rescheduled parliamentary session that was intended to take place on November 19 amid intense opposition, and the second, Lebanon's Independence Day celebrations on November 22.

Folded into the discussion in the organizing phase then was the impact of pollution on human development and—in a last minute move due to the withdrawal of several participants, the focus of a planned roundtable on poverty alleviation was also folded into the mix. It was, by anyone's standards, an overloaded and ambitious discussion list. Prior to the roundtable, which was held in the early afternoon of November 20, participants were encouraged to consider the following topics: the organization and provision of healthcare, pensions, and education; the development of labor statistics and labor markets; incentives for highly qualified graduates and professionals to work in Lebanon; the need

to re-evaluate the labor law; environmental protections, and the impact of pollution on human development.

It was perhaps due to the overloading of this roundtable, along with logistical challenges on the day, that discussions instead were centered on education and the labor market as related to university graduates. EXECUTIVE's Economic Roadmap, however, has sections dedicated to developing strategies for improving education (Roadmap page 22) and healthcare (Roadmap page 25), a section on combating poverty (Roadmap page 40) and pollution (Roadmap page 47) and a section on developing labor (Roadmap page 58). This is born out of our belief that all these elements of social development and capacity building are essential to move the economy—and indeed the country—forward. When applicable, the roadmap has been amended to reflect relevant points submitted by email or form by both participants and the wider public.

THE QUALITY OF EDUCATION

The discussion began with a reflection on education for the 21st century and how, in the views of the moderator, students in Lebanon's schools were not being equipped with the tools and skills they needed to excel in the jobs of the future—which the moderator said required education in creativity, curiosity, collaboration, and communication. Participants were then asked for their reflections on these opening remarks.

Several of those at the roundtable believed that, contrary to the views of the moderator, private education in Lebanon was of high quality and had kept up with the changing needs of the students to become more skill-based than knowledge-based, with one citing various real life examples found in their own work. Participants also noted that Lebanese students have successfully taken the skills they have learned at educational institutions in Lebanon and used them to excel abroad. The issue lay, according to one participant, in the inability of students to apply these learned skills in Lebanon—something it was believed was in the process of being changed through youth participation in the *thawra* (revolution).

There was, however, some agreement with the moderator's premise, with one participant saying that time is running out and Lebanese schools need to catch up fast by teaching the

skills needed for life in the 21st century, starting with primary school children.

It was noted that quality assurance measures do not exist at the school level in Lebanon, which creates an uneven landscape for students upon entering higher education. To resolve this, it was suggested that there should be a regulatory body—made up of both public and private schools and the Ministry of Education and Higher Education—that should set a new educational system, with indicators that would focus on teaching the skills needed for the 21st century. This view was echoed by several participants. The responsibility of the state was seen in terms of standardization, one participant argued that there needed to be a program that would be followed by all educational institutions in the country that was decided upon at the state level.

The discussion then flowed on to public schools and the vital need for elevating the quality of the education to produce more competitive graduates that would help rebuild Lebanon. A participant suggested that instead of the government draining itself running the public schools, its role should be to simply manage them through inspections and ensuring they adhere to certain standards. This could also be achieved through a public-private partnership, according to some participants.

THE MISMATCH BETWEEN EDUCATION AND LABOR

The mismatch between education and the labor market was also raised by those around the table. One participant noted that an investment in quality education was very costly—estimating it to be \$500,000 from pre-school to university—and questioned how many years of work in Lebanon it would take to recoup that investment. This argument was furthered by another participant who said that there needed to be an understanding of the cost relative to the returns in order to be able to address both. While the costs of private education are known, it was argued that data on the cost per student to the state of public schooling or a degree from

■ It was noted that quality assurance measures do not exist at the school level in Lebanon, which creates an uneven landscape for students upon entering higher education.

Education



■ What was needed was a reorganization of the political system into one that could move Lebanon toward a productive economy.

the Lebanese University was lacking. It was also suggested that a study should be taken to survey the incomes of students of private education institutions from the past five years to determine the average income in relation to the upfront cost of their education.

The discussion on the mismatch between the skills of Lebanese graduates and their labor opportunities continued, with one participant noting that Lebanon suffers from a nonproductive economy whereby we have 30,000 graduates every year, and yet only create around 3,000 to 4,000 jobs, which are mostly in the public sector and so are relatively low-skilled.

Beyond this, they continued, the mismatch was impacted by two interlinked phenomena: corruption and clientelism. It was argued that in Lebanon it was immensely difficult to open a business, complete official paperwork, or get a good job—one for which you were qualified—without *wasta* or being from the right sect or political party. What was needed was a reorganization of the political system into one that could

move Lebanon toward a productive economy and open up the labor market with equal access to all those qualified, participants argued.

There was also a consensus around the table on the need to obtain data on labor market outcomes to guide strategies in education development. Several participants noted that in order for the discussion to move forward and practical measures to be agreed upon, it was necessary to know the baseline from which we were starting in order to determine key indicators of success. Lack of data to assess the current situation and, therefore, its needs was a theme raised throughout the roundtable initiative.

HOPES & DREAMS

Beyond this, participants also questioned what the goal of education was, with one questioning whether they believed education was a means to an end, or an end in itself, noting that there were other outcomes to education beyond economic ones, including improving citizen engagement and civic education. It was noted that if a goal of education was to produce engaged citizens, then students' and youths' participation in the *thawra* was evidence enough of the benefits of the Lebanese education system—though this idea was challenged by another participant who thought that civic education was lacking in Lebanon.

Also raised by those at the table were questions on what problems were being addressed through the discussion—was it reach of education, consistency across schools, the outcome of education, or its cost? Defining the problem clearly was seen as a necessary first step to tackling it.

Amid closing comments, it was asked that the Ministry of Education and Higher Education apply existing regulations when it came to the inspection of institutions of higher education, and especially when it came to issuing of graduate degrees.

Another closing remark was a practical suggestion related to the strengthening of students' skills versus their knowledge base, which recommended extracurricular activities between private institutions of education and civil society (charitable organizations for example) whereby students could learn a variety of real life skills.

This roundtable highlighted the value all participants placed on education as a vital building block for almost all pillars of a functioning country. ■



Virgin

MEGASTORE

LEAVE A
LITTLE JOLLY
Sparkle

• MERRY CHRISTMAS •



A BATTLE ON MANY FRONTS

People outclass politicians on women's rights, expression rights, and responsibilities



The fourth discussion in EXECUTIVE's roundtable initiative was comprised of two broad topics: **access to rights, with particular focus on the rights of women, and access to information, with additional focus on freedom of expression and media responsibility.** Both topics were deserving of roundtables in their own right and had initially been planned as separate before timing constraints necessitated they be brought together (see story page 40).

The fourth roundtable took place on November 20, with participants asked to consider the following topics in advance: 1) The empowerment of women and minorities, in corporations, in small and medium sized enterprises, in politics and public administrations, and in civil society organizations, 2) the breaking of glass ceilings and challenging existing social structures, 3) legal measures against domestic violence and exploitation, 4) implementing the access to information law, 5) data ownership and privacy, 6) the role and responsibility of media and digital networks as countermeasures to fake news, and 7) the dangers of surveillance and manipulation in a digital society.

Participants came from a range of backgrounds and expertise, but while discussions on the day were clearly delineated between the two broader topics, with the moderator inviting those with backgrounds on the subject at hand to take the lead, there was passionate and dynamic debate among all participants.

THE WOMEN'S REVOLUTION

To kickoff the roundtable, participants were asked for their views on the role of the government in ensuring gender equality and the legal measures necessary to guarantee protection from violence and discrimination. This led to two main considerations around the table: the importance of culture versus legislation when tackling equality issues, and the importance of a unified personal status law under a non-sectarinized system that would ensure equality for women under the banner of civil rights for all.

There was a general consensus that the perception of women's roles had shifted as a result of the then-month long civil *thawra* (revolution), in which women had taken prominent leadership roles, organizing protest marches and creating human chains on the frontlines of protests to act as a barricade between security forces and male protesters.

It was in this context that it was argued by one participant that discussions about capacity building and empowerment were no longer relevant—women were empowered and acting as leaders within the protests—instead, what was lacking was access to equal opportunities and resources, which was tied by several participants into the need to ensure that women have equal rights as citizens. Among the legal steps cited were laws that would grant women the right to grant their children the Lebanese nationality, further protections against sexual harassment, and guarantees that women are treated equally in matters of inheritance.

There was debate around the table about the extent to which women's equality could be legislated, given that many of the issues being discussed were linked to cultural and social norms. To two partici-

pants, achieving gender equality did not necessarily need to be tackled through legislation. Instead, since gender inequality was a cultural issue in their perception, it could be countered through education and awareness raising for society to accept women as equals, especially when it comes to equal pay. Financial independence for women, they argued, would go even further than legislation in achieving gender equality.

Others linked the idea of addressing cultural issues back to the thawra by noting that women suffered most under a political system that was tied to patriarchal norms, but argued that society and Lebanese culture at large was supportive of equal rights for women—seen through women’s leadership and participation in the protests—and as such, the people were more advanced than the political elite, and so changing the political system would be the entry point to securing equality for women.

Participants had differing views over the roles of quotas in ensuring female participation in the government and in boardrooms. Several participants believed that quotas were necessary to ensure women were granted opportunities that society would otherwise not accept, another raised concerns over inequality of representation in rural or impoverished areas. Another disagreed entirely with the premise that there was gender inequality in terms of high ranking positions in Lebanon, citing female ministers and department heads within ministries—this was met with significant opposition from around the table, with other participants noting that there were few female representatives within syndicates or the judiciary, and that women in prominent roles—such as activists or journalists—were often subject to online harassment and bullying tactics.

Amid disagreements among those present, one participant made a note that the perspectives of those around the table—educated women (and men) in high ranking positions—may differ from those of women from rural or impoverished areas in which rights that were being taken for granted by those present may not exist in practice. This, it was argued, was why legislation on the national level was necessary, particularly revisions of laws on personal status, nationality, and minimum age for marriage.

Other participants called for the bigger picture to be addressed, arguing that without the fall of the current sectarian system, it would not be possible to achieve progress in women’s rights. It was argued that there needed to be a direct link between the state and the citizen in order to ensure citizen’s rights

outside of the clientelistic sectarianism in which sectarian leaders act as middlemen. What is needed, argued one participant, was a direct link between citizens and a state that could provide them with social welfare, subsidized education, housing plans not based on loans, and employment opportunities, and that, by removing the middlemen, women would be able to claim more independence. As such, one participant called for a unified personal status law for all citizens so that no one would need to go to their sect to obtain their rights.

While there was passionate disagreement among participants at the table, debate was generally carried out in a respectful and constructive manner—with one notable exception. On the issue of

nationality rights for women, in particular women being able to pass on Lebanese citizenship to children with Palestinian or Syrian heritage, there were strong disagreements between participants. When some participants argued that this issue was not related to gender discrimination, this was met with strong opposition from another participant who noted that while these points of view were common, they were based on a false premise. The participant went on to reference research undertaken by their organisation on the impact of the nationality law on women and their foreign spouses and children, and the way in which it impacts their access to education, healthcare, and residency. More specifically, it was noted that the numbers often cited by parliamentarians—that giving women nationality rights would tip the demographic balance by granting Lebanese nationality to some 100,000 - 200,000 Palestinians and Syrians—were inaccurate and amounted to little more than fear mongering.

The participant went on to explain that according to General Security, 21,796 non-citizen children and spouses of Lebanese women obtained legal residency in 2017. But a 2016 census of Palestinians in Lebanon found just 3,707 cases of a Palestinian head of household married to a spouse of a different nationality, and a 2009 United Nations Development Program-backed study found that there were only 18,000 marriages between Lebanese women and foreigners in Lebanon between 1995 and 2008. The participant noted that while these figures may not be 100 percent accurate, they are indicative that the numbers cited in political discourse were—even at

■ It was argued that without the fall of the sectarian system, it would not be possible to achieve progress on women’s rights.

Access to rights & information



the low end—massively inflated. When presenting these numbers, the participant was frequently shouted down by others at the table who were in disagreement; the moderator was forced to intervene.

In terms of practical steps moving forward, there was a three-part call by one participant for the government to first understand and ensure they are aligned with the obligations they were undertaking when signing international treaties such as the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). The second call was for these commitments to be translated into a strategy on the empowerment of women, complete with a budget and a set of indicators, and the third call was for equality for all on the basis of their citizenship alone. This was positively received by the other participants.

DIFFERING INTERPRETATIONS

The focus of the roundtable then shifted to discussions on Law 28 (2017) on access to information and the difficulties of implementing it, as well as the broader issue of data collection in Lebanon.

Two participants discussed the access to information law in detail, explaining that there were two schools of interpretation when it came to its implementation: for NGOs and some administrations the law was being applied, but for many other bodies, the lack of implementation decrees and Anti-Corruption Commission (ACC) was being used as a pretext to ignore the law.

One of the participants pointed to the mixed success their organization had in trying to obtain data using the access to information law. In their first attempt last year, only 34 out of 133 administrations replied. Of those, only 18 had appointed an information officer—15 on request of the organization—and many were unaware the law existed. A

second report, released in September 2019, had more success with 68 out of the 133 contacted administrations responding, yet, of those, only 33 complied with requests to view their fiscal budgets. Many administrations cited the lack of implementation degree as the reason why they were not complying with the law, with only some reversing this decision when shown documents from the Committee of Legislation and Consultation at the Ministry of Justice that stated the law was applicable without implementation decrees. According to the participant, the Office of the Presidency of the Council of Ministers even went so far as to say that those who had provided information were in violation of the law.

According to one of these participants, the parliamentary session that had been due to take place the day prior included several amendments that would have guaranteed the law should be implemented regardless of further decrees and the formation of the ACC, and would have increased its efficiency. This, they said, was a required step in the short term. In the short to long term, the new government, when formed, needed to issue implementation decrees to help facilitate the law and make it more efficient. Here it was noted by both participants that the current draft implementation decrees are actually problematic, as they restrict the use of the law to stakeholders with interest in the information, despite this being in violation of international agreements as well as the Lebanese Constitution and the access to information law itself. It was noted that in the course of trying to seek information through the law a common question was, “Who are you, why are you asking?”

A further consideration, one deemed easy in the short term, was for all administrations to appoint an information officer. Moving forward, a practical and necessary step, according to one participant, was to pass the law on combating corruption in the public sector and to form the ACC. It was noted that the ACC had been passed by Parliament in July 2019, but sent back with around 12 objections by President Aoun. Of these objections or remarks, there was concern over the issue of whether judicial appointments to the ACC should be elected, with the participant arguing for the latter to increase judicial independence. It was further noted that the ACC law needs to be passed as its holdup has prevented effective full implementation of four other laws: Law 28 (2017) on access to information, Law 83 (2018) on whistleblower protection, Law 84 (2018) on transparency in oil and gas transparency, and Law 154 (2009) against illicit enrichment.

Digitization of data and the creation of an e-platform/referral system for active disclosures necessitated by the law—such as budgets—was under process and needed to be continued, it was argued.

In the long term, several participants noted that a lot of work needs to be done on awareness raising among citizens on their rights regarding transparency and accountability as well as capacity building for civil servants. There was, however, some disagreement on this from one participant who argued that the thawra had shown that citizens were engaged and aware of their rights.

THE DEARTH OF DATA

The lack of available data was an issue raised throughout the roundtable initiative, though none more so than in the discussion on access to information. When debating the issues with data collection and subsequent digitalization, one participant noted that the problem was much worse than realized. There was, according to this participant, no good classification of data, no standardization between administrations, integrity issues with the data itself, and duplicate data across various government agencies. Beyond that, it was argued, civil servants need to be educated on their responsibilities, and there needed to be agreement on what data should be collected and what can be disseminated. A practical step, according to this participant, would be to start digitizing services that would not change, such as healthcare services.

Other participants noted that if the initial data was incorrect, this would not be solved by digitalization. Further dimensions considered by participants regarding data included the need for trust between citizens and public administrations, political considerations—such as the Central Administration of Statistics allegedly being kept away from the refugee file as politicians did not want accurate data—and that digitization was yesterdays' news and without it Lebanon would lack behind on the world stage.

CRACKDOWN ON FREE SPEECH

During a discussion on freedom of expression, it was argued that the perception that from 2015 to the onset of the thawra freedoms had been under increasing attack was borne from data. One participant noted that attempts to quantify the number of defamation/insult cases in that period using the access to information law proved to be an interesting experience, and their organization had opted to get numbers from the Cyber Crimes Bureau (CCB)—

which most cases were referred to—to get a sense of the scale. Between 2015 and May 2019, the CCB had recorded 3,559 defamation cases—only 60 - 80 of which had made it into media reports.

The participant went on to argue that these cases—an increase of 325 percent from 2015 to 2018—were problematic for a number of reasons: firstly, they argued, the law itself was an issue as by international standards, peaceful speech should not be criminalized, and so, defamation cases should be tried as civil not criminal cases; secondly, that truth was not a defense under Lebanese law; and thirdly, that public officials were offered greater protections under current defamation laws when this was against the public interest. Beyond that, it was alleged that there were abusive practices in place, including threats or acts of violence, summons without giving cause, and people being pressured to sign pledges with no legal bearing. It was suggested that public persecutors, who have control over these security investigations should make very clear the need to abide by the code of criminal investigation. The participant further suggested that there should be training for judges to eliminate alleged bias in proceedings.

■ It was noted that support for truly independent media was necessary.

COUNTERING RUMORS AMID REVOLT

In the last minutes of the roundtable, the discussion moved to the media's role in countering the rapid dissemination of propaganda, particularly in times such as the ongoing uprising in Lebanon.

One participant said that in Lebanon there was no independent media; 12 political families own the media in Lebanon and so, they argued, the national media is little more than media arms from political parties. In this context, it was noted that support for truly independent media was necessary.

Participants also argued that due to the revolution media was playing a huge role now, yet lacked in-depth journalism and analysis. There was also criticism of public administrations for not providing information and so allowing rumors to spread. Again, the lack of data was raised as a barrier to analysis by the media. There was, however, some hopes raised by participants that the civil thawra and citizen journalism from it could play its role in creating an independent media in Lebanon. ■

Taxation

By Thomas Schellen

IN ABSENCE OF FISCAL POLICY

The search for a fairer, more redistributive tax system



The roundtable covered in this piece was dedicated to economic angles of fiscal reform and taxation. Thus, in the context of EXECUTIVE's mission and coverage focuses, both it and the accompanying sixth roundtable on financial reality (see article page 52) were a hardcore expression of this magazine's existential paradigm to cover the Lebanese economy to the best of its ability. Both roundtables were conducted on November 21 under sole content authority of EXECUTIVE editors.

The discussion brief for the fifth roundtable stipulated that participants would be discussing ways to shift to redistributive taxation structures, to identify opportunities to tax economic rents with no detrimental impacts on overall economic participation, to improve tax collection in fair and equitable ways, and to introduce new transparency to fiscal and tax institutions.

ON TAXATION AND FISCAL REFORM

The roundtable on the implementation of the fiscal reforms and taxation entailed a pivot away from highly technical tax questions, such

as requests for proposals on effective and ethical taxation of economic rents or the implementation of schemes to enable economic transfers from highly developed economic metropolises to disadvantaged communities. Questions at the table re-focused on participants' recommendations for fiscal reform measures, on the best and most fair approach to the taxation of banks, and on ways to migrate toward more efficient tax collection, to increase the ability of productive sectors to comply with international market requirements, and to achieve more formality in the economy.

As a baseline of the fiscal reforms and taxation roundtable, participants had zero disagreements in saying that Lebanon in recent years—and in context of 2019—has shown no evidence of any fiscal policy, but that fiscal actions have been comprised wholly of fiscal measures without any discernible vision or strategy. Haphazard measures in recent years were aimed at increasing state revenues through tax law revisions (e.g. 2017), but were implemented without necessary impact assessments. Equally undisputed were comments

that taxation policies—which over years were only adjusted in minor ways, even when the national value-added taxation program was enacted from 2002—needed to pivot from indirect and regressive to direct and progressive. A shift from indirect to direct taxation would favor social equality.

However, the organization of society toward being more inclusive and fair would also have to come with behavioral reforms of the economic system whose current structure supports rent seeking, wealth-derived gains, and the concentration of wealth under strong protection for rich individuals.

Strongly criticized were taxation decisions in the 2010s that were described as reallocations of market-generated incomes to the “black hole” of an increasingly unproductive public sector. Less than universally agreed, however, were the perspectives which participants espoused in assessing existing realities of poverty prevalence versus the concentration of wealth in the country, the most appropriate ways to gauge banking performance and profit rates achieved in the sector, and productive paths for ethical and efficient taxation of incomes and economic rents.

Arguments that private concentration of deposits in bank accounts was extremely high were challenged with reference to Lebanon’s banking secrecy, which was argued would not facilitate collection of such information for the entire banking sector. Disagreement over the right approach to taxing bank profits—juxtaposing nominal profit levels of Lebanese banks in recent years with the return on equity ratios highlighted by bank economists—also remained very noticeable.

Advocacy for the general removal of banking secrecy in the Lebanese system was voiced as the path toward income transparency and removal of tax evasion incentives for individuals in the liberal professions who engage in diverse economic activities and hold several bank accounts, but do not declare all their incomes. Also proposed was to increase pressure to implement tax compliance of companies that operate on the border of informality by not paying their dues, ranging from VAT and corporate income taxes to national social security fund contributions for all their employees. It was argued that the enhancement of governance in tax collection and fight against tax avoidance should be achieved before attempting a discussion on the economic order of Lebanon, including questions over the desirability of a welfare state or an economy with a very large public sector.

With regard to the question of the economic system and the course of Lebanon, it was argued that a very big problem in the country existed in having governments but not an efficient state. The apparent dwindling of the Lebanese middle class in the past 30 years and the continued influence of militia structures and militia persons who had been able to transition into political roles were pointed to as other obstacles in need of remedying in order to achieve a more effective state. Furthermore, voices around the table drew attention to the need of achieving a balance of private sector growth and implementation of laws by an empowered state. A participant argued that unfettered activities of the central bank and commercial banks had led the country to the difficult place that it found itself in this year.

Attesting to the necessity of looking beyond taxation when seeking to address social inequality and poverty prevalence in Lebanon, several participants emphasized the importance of social expenditures from quality spending on education and health to liberating the poor from cost burdens and improving the labor market. It was further emphasized by participants that young companies with growth and job creation capacities are faced with taxes and levies that do not make sense and, suffering greatly under indirect taxation burdens, are in want of government policies and incentives that compensate them for their contributions to economic opportunities and keep them in Lebanon.

■ It was depicted as prudent to recognize that personal and corporate incomes in Lebanon are taxed rather mildly in international comparison.

TOWARD INCLUSIVENESS

Besides acknowledging the problems of persistently regressive taxation and the need to change these practices, it was depicted as prudent to recognize that personal and corporate incomes in Lebanon are taxed rather mildly in international comparison. The major challenge in the fiscal constitution from this perspective are problems on the other side of the fiscal balance sheet, such as irrational hiring in the public sector, indiscriminate expenditure, haphazard spending, and other wasteful deficit drivers. Participants argued that increasing expenditures and heightening deficits led to higher interest rates that blocked economic growth, on top of which the

Taxation

long existing exchange rate peg and low productivity made Lebanon noncompetitive. This malaise was further exacerbated by absence of business friendly regulations, weakening in the Gulf markets, the conflict in Syria, and the Lebanese government shift to borrow in US dollars. All this was contrasted with governmental economic rescue propositions that were badly insufficient.

It was acknowledged around the table that tax policies need to incorporate elements of societal guidance and be grounded in a national economic vision on what sectors in the economy should be promoted and how spending of fiscal revenues should be targeted. In the case of Lebanon, participants noted that this translates into a question on how to move from an extractive economic model to an inclusive one.

A resurging factor of irritation and divergence in the discussion arose from the—universally acknowledged—lack of reliable data on the Lebanese economy and the actual performance of its economic agents. Insistence on the deficiency of hard data in areas ranging from poverty to income concentrations was juxtaposed with passionate emphasis of visual evidence of high poverty levels, for example. There were divergent views on whether wealth in Lebanon is highly concentrated or not to the extents believed by some. In the perception of EXECUTIVE, this discussion once again pointed to the utter im-

portance of initiating a national socioeconomic census under any government seeking to design policies that can achieve socially meaningful targets.

REFORMING TAXATION

Concrete measures in the area of taxation needed to involve closing tax loopholes by reforming the frameworks under which offshore companies operate, unifying income tax, and simplifying tax codes, it was suggested. Newly anchoring the system on progressive taxation was a priority need in the perception of numerous participants. Other areas of note from a taxation perspective according to participants were succession taxes and the need to make the entire tax and fiscal system more transparent to tax payers. In this and other regards, digitization and introduction of e-government functionalities was viewed by participants as an enabler for improvement.

Application of essential rules on tax equity—such as taxing personal or corporate incomes equally and protecting tax payers from arbitrary changes in their tax burdens—was emphasized in the discussion, as was the importance of taxing productive sectors and banks on basis of principles of equality and fairness. Emphases for fiscal development were reiterated as restructuring of expenditures and elimination of wasteful practices in the public sector. The fiscal mission was described as a combination of moving from waste to productivity in the public sector, reducing the public sector, putting public finances in order by fighting tax evasion, increasing transparency, and instituting internal auditing as a constituent factor in public and private sector economies.

The majority of participants did not think that experiments with new public sector entities aimed at better management of economic cycles, such as a publicly-owned investment bank, would be applicable given Lebanon's over-politicization of political economy institutions. Issues such as the idea of a digital currency under central bank management, as discussed in some countries, were not perceived as being of current importance for Lebanon.

In evaluation of the overall fiscal and taxation discussion, and in the conclusion of roundtable five, participants stated that the public finance problem was also a political problem that originated from the unchecked existence of conflict of interest issues engulfing political actors and that, likewise, the determination of a national government was indispensable for devising practicable solutions in the fiscal and taxation space. ■



■ There were divergent views on whether wealth in Lebanon is highly concentrated or not to the extents believed by some.

EXHIBITION DATE
19 - 21 FEBRUARY 2020

EXHIBITION HOURS
03:00 PM TILL 9:00 PM

INDUSTRY
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EXPECTED NUMBER OF ATTENDEES
5,000+ ATTENDEES

EXHIBITION VENUE
SEASIDE ARENA, BEIRUT

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19 - 21 Feb 2020
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By Thomas Schellen

SEEKING WISDOMS OF ETHICAL CROWDS

Transition scenarios and their bleak alternatives



For the roundtable on financial reality, monetary needs, and trade and energy issues, the discussion brief invited debate on the role and responsibility of the central bank, the banking sector, the insurance sector, and capital markets in Lebanon, coupled with exploring the country's circumstances with regard to trade and remittances, its interdependency on international financial markets, the prospects for international participation in infrastructure investing, and the national impact of global financialization. For the initial question, EXECUTIVE editors asked if Lebanon has its own capacity to devise an economic plan for near, medium, and long-term economic rescue and progress.

In the realization of the financial reality roundtable, this initial query was expanded by the moderator into four questions: namely if an economic plan could still be viable in light of the ongoing uprising and economic shocks experienced since mid-October 2019, what the best course of action was in regard to the monetary course and international financial obligations of Lebanon, how trade patterns

had to be changed and interactions with international markets developed, and if resource exploitation could contribute to the rescue of the economy.

TOWARD LIGHT OR DARK

The discussion of Lebanon's financial reality was opened with the juxtaposition of two extreme scenarios in the near term. As the scenarios were first painted and later reviewed around the table, a distinction was made between a "white" scenario and a "black" scenario, the likelihood for which was 5 percent for the former and 95 percent for the latter, according to the instigator of the comparison.

The white scenario would unfold via the designation of a government that gains popular consent, and then would progress by recovering embezzled public funds, gaining active support from friendly governments and international agencies, and implementing investments laid out at CEDRE—and would receive a positive economic shock via a sizable offshore oil/gas discovery. Under a multi-year perspective, this scenario would incur both public-private partnerships (PPP) and private investments.

By stark contrast, the black scenario, with a horizon of unfolding on very short time frames from a few weeks to three months in the opinions of several roundtable participants, would see many families without living incomes due to full or significant partial failures in receiving their salaries, causing anger, despair, and violent conflicts on the streets of Lebanon. Bank depositors would add to the violent crowds because of the loss of their deposits from abysmally dysfunctional banks.

Under this prediction of maximum socioeconomic gloom, import capacities would be extinguished, and the banking system in near entirety would implode, resulting in an accelerated scenario of social unrest that would further be reflected in the organization of communal fiefdoms by Hezbollah, while in other parts of Lebanon only a handful of private investors with access to external

banking services would be able to enact financial activities. A parallel system of finance would emerge and recovery from this systemic implosion of the Lebanese financial system would require 10 years.

Debating the probability of such a scenario, participants noted that other possible pathways would not involve a collapse of the banking system. Confidence having admittedly vanished from the system, the removal of ultra-dollarization, along with impositions of capital controls and eventually the reduction of imports related to foreign exchange controls, and action to overcome tax evasion and waste in public expenditure could function toward Lebanon's stabilization. However, under such views, the rapid designation of a government was the precondition for a benign scenario in Lebanon's financial reality over the coming months and improving credibility scores with the population and international partners would be a key factor.

Another participant concurred that, at the time of the discussion, no confidence existed in the Lebanese system while the central bank was unable to meet financial needs for importation and banks were experiencing runs on deposits. Restoration of confidence was only possible on basis of a government's appointment, proceeding from which the only path to recovery would exist through involvement of the International Monetary Fund (IMF) that would enter an agreement with Lebanon and also act as catalyst for mobilizing international support.

The Lebanese economy in this perspective should first embark on simple reform measures, such as filling the void at regulatory authorities in telecommunications and civil aviation, increasing electricity tariffs, taking one-two steps toward increasing taxes and social safety provisions for the poor, attempting to reign in the external imbalance in payments and trade, and doing what the IMF would do—even if for political reasons the direct help of the IMF was not sought. Proposals to restructure the economy from a rentier to a productive one with increasing agricultural and industrial exports were presented in this context (a concept further spelled out in the position paper by economist Marwan Mikhael, first published in full on EXECUTIVE's website).

Moving further into the discussion of realities and possible solution ideas, other stakeholders at the table argued that there are too many variables involved in the unfolding of the current crisis for planning efforts to be adequate at this time but expressed that things will be messy, noting that many

measures should have been embarked on years ago, such as a move by the central bank to reinstitute a crawling peg of the Lebanese lira instead of applying the policy of a fixed exchange rate. Recent decisions on monetary action in the attempt at securing imports such as fuel and medicines were, however, sharply criticized. Under the perception that a new 15-year cycle was about to unfold in the story of Lebanon, the sixth of its kind, there was, however, hope from participants that the coming cycle would induce a better Lebanon.

TRADING IN COMPLEXITY

With a view to trade and the guidance of imports and exports, it was noted that two aspects of the negative trade balance involve the shrinking of exports over the past 20 years as well widening of the trade deficit due to increasing imports. The export capable sectors of the Lebanese economy over many years have suffered from deficient infrastructures and also lacked governmental interventions to make producers more competitive and increase exports. Private sector actors in credit insurance have a mission to support companies in building abilities to increase sales and export, but the government's role in this context cannot be fully substituted through private initiatives, it was argued. That companies in Lebanon need more support in becoming export-ready, was raised as part of these discussions.

From the perspective of Lebanese industry, it was noted that a quick increase in export volumes was not likely to be achievable for local companies, given their high comparative costs relative to regional peers, and the fact that they were not commodity exporters but rather had their main potential in exports of complex products. In this regard, the complexity of the Lebanese economy was more on par with European countries than with regional neighbors and emerging markets producers. While this was a very positive factor offering economic gain potentials in the long term under international collaboration scenarios with higher cost developed economies, the development of such potentials required time. Therefore, a shorter term adjustment of trade imbalances of Lebanon was more readily achievable by import

■ The rapid designation of a government was the precondition for a benign scenario in Lebanon's financial reality over the coming months.

Financial reality

reductions and substitution with locally produced goods, it was argued.

On the financial side, proposals from the industry stakeholders entail conversion of bank deposits held by investors. Two special vehicles or funds were on the drawing boards in this regard, the first was a mechanism for industrial sector investments and lending that entails capital guarantees from the Lebanese central bank and also at the international level. The triangular process envisioned by industrialists would ease interest costs of industrial loans, remove part of deposit interest burdens from the books of banks as well as liberate funds that have been locked under provisioning needs, and provide long term benefits to investors who cannot access their deposits in absence of economic sanity.

A similar but somewhat simpler mechanism would, in the view of industrialists, also be enacted in the sphere of unsold property stock in Lebanon.

It was noted that the envisioning of such scenarios would have room for the activation of special-purpose banks in the country. Pointing out that many banks have exhibited substandard behavior and unsatisfactory communication performance as the Lebanese economic crisis began to unfold, industry representatives at the financial reality roundtable agreed nonetheless that it would not be feasible in the

short term to depart from Lebanon's monetary policy patterns of a peg to the US dollar.

Yet another very noteworthy scenario elaboration at the sixth roundtable was presented with a baseline assumption of 80 percent agreement with the "black" scenario presented at the start of the discussion. This scenario, however, argued that the time window for embarking on a determined financial rescue operation would not close within weeks, but rather a few months. Under this variant of "black," the rise of social tensions and job-loss related unrest in combination with investment losses would loom in the first half of 2020.

Attempts to avert this chain of events would have to include an, albeit costly, defense of the dollar peg because failure to do so would translate into a factor four exchange value deterioration of the lira. Currency support under this recipe would have to be maintained until an organic restabilization of the lira was achieved at, or near levels of, the current official exchange rate, from which point on unpegging of the currency could be implemented.

This scenario also assumed the need to have a viable departure point in an agreement on a government and a negotiated political settlement. In pursuing a rapid agreement on government formation, however, the scenario assumed that a significant share of governmental power would fall to the opposition, which would henceforth restrict the ability of establishment politicians to act with previously existing impunity. As such, incorporation of opposition in governmental functions would work toward gradual transition to an entirely new government.

LESSONS LEARNED

Part of this transition process would be the activation and continuation of economic councils within the framework of the uprising. Such agora transparency, it was argued, would prevent politicians from maintaining corrupt patterns. At the same time, recovery of embezzled funds/elimination of financial gaps in the political economy of Lebanon (in electricity, telecommunications, customs, and other realms) would work for reestablishing a rule-based and compliant political economy system. As further part of the starting setup, it was argued that authority over the Lebanese streets must be restored to the point of not allowing protesters to lock down economic activity in the country.

Efforts to recover looted funds would have to follow but were likely to be of limited effect under this scenario's assumptions, the reason being that most of the funds that were diverted from serving public interests were "stolen in lawful ways," i.e. under imposition of legislation that was permissive of politicians' self-interests. However, once a new government has reclaimed partial trust of citizens and partial trust of the old political stakeholders, it would become possible to approach the international community with a request to disburse a first tranche of money allocated under the CEDRE framework and Lebanon could then begin to implement a reexamined and eventually improved Lebanon Economic Vision, the plan devised in 2018 by the McKinsey consultancy firm.

Even as the proponent of this scenario noted that reliance on CEDRE lending would not have been advisable just one year ago, the participant pointed out that such inflows would be needed under the rescue scenario in addition to inflows from Lebanese diaspora sources that would be contingent upon implementation of a good government.

Despite the need for external funding, a pivot of the system away from seeking to attract deposits and

■ The rise of social tensions and job-loss related unrest in combination with investment losses would loom in the first half of 2020.

financial inflows into an economy that prioritizes venturing into industrial and agricultural production activities was embedded in this rescue scenario. The argument in this regard was that the country must be equipped with an economic policy by the government and a monetary policy by the central bank. The central bank would decrease interest rates in 2020 (note: a circular to that extent was released a few days after) and stepwise governmental easing of tax burdens on companies then would support industry and agriculture in conjunction with the implementation of an inter-ministerial initiative labor market initiative. The former needed to entail guidance for youth into constructive employment. Industrial and economic growth would subsequently cause confidence in the Lebanese economy and currency to improve.

NO SAVIOR IN OIL


Included within the financial reality theme of the sixth roundtable were perspectives on the energy sector, with an opening comment that painting Lebanese oil exploration as the solution to the country's economic problems was not reflective of reality. Oil cannot save a country, it was emphasized. The ongoing process of development of regional infrastructures without current Lebanese participation was noted, as well as the need for a clear vision on the domestic or export usage of an eventual discovery.

However, it was further emphasized that the chances of a commercially usable discovery at the speculated size of 1.7 trillion cubic feet gas was at 25 percent and that revenues from exploitation could not be expected before eight to nine years. In the intermediate time, no more than necessary expenditure was warranted, for example in tendering for a single floating storage regasification unit (FSRU) that would be employed until a gas discovery transitions into commercial use. Besides the need to allocate funding to an FSRU unit, challenges for implementing new energy infrastructures for natural gas usage in electricity generation were the need for civil works and the acquisition of the liquefied gas. A review and revision of energy exploitation policy and eventual gas purchasing contracts was also required.

With regard to electricity provision by the state utility *Electricité du Liban* (EDL), better planning and tariff setting were required in order to tackle unsustainable electricity subsidies. However, current plans would increase the price of electricity for end uses and need examination, otherwise the risk of a vicious cost cycle at levels of end users exists.

From an industrialist's perspective, a participant added that some solutions could be implemented immediately, due to economic opportunities—such as decentralization of electricity production—created by cost differentials. Also it could be advantageous for a company to have reliable electricity supply from EDL, even if prices are hiked significantly, because reliable supply would allow manufacturing plants to avoid allocating three electricity budgets: one for state electricity, one for private generation, and a third for costly backup batteries to keep things running during the switch. Thus, even at double the current rates for industrial usage of state electricity, removing inefficiencies from the EDL system would suffice to make it operationally viable, although not thriving, as a starting line for a privatization process, it was argued.

Also critically mentioned were legal barriers that prevented private sector producers from selling electricity into the national grid as well as undesirable behavioral effects on end users by having introduced generator metering at the wrong time. A proposal for immediate substitution of state subsidies for electricity provision at the private household level would be to hike tariffs and effectively institute a redistributive levy in the area where households have the least need to buy additional generator services, namely in the Beirut area, because residents there benefit from low cost provision of power at rates not hiked in over 20 years.

Discussions at roundtable six, which like the other events in the series deliberately did not involve politically-entwined individuals nor the “1 percent,” reflected the presence of “leftwing” and “rightwing” perspectives in the current search for a better economic and fiscal direction. In agreements across such barriers, however, all participants concurred that it was paramount to continue dedicating time and energy to emancipation of Lebanon from paradigms of a society with a weak state, widespread corruption, a large and expansive public sector with entrenched social entitlement niches but poor economic efficiency, and sub-standard social justice and safety nets. Empowering Lebanon will require many inter-related efforts and have to show measurable results as far as monetary stability at emergency speed and structural reforms in the near term, but also produce determined and conciliatory economic mindsets for liberating a country that for many years was frozen in socioeconomic immobility with growing economic informality and unmitigated poverty. 

REFLECTION

Shadow of things to come

Reflections during tumultuous times

The year-end holiday season is a time for self-reflection and goal setting.

We at EXECUTIVE are no different, and so as we prepare to bid 2019 goodbye, we are looking backward to recognize our achievements this year—despite the trying circumstances—to understand what we could have done differently, and to explore ideas and opportunities for growth that we will attempt to embark on in 2020. However, there is a big obstacle. No one with a stake in Lebanon's economy, including media organizations and journalists, can plan for the coming year with any amount of certainty. In terms of any rescue concept, the equation contains too many variables. Even the scenarios of collapse that have been discussed in the waning weeks of 2019 involve mountains of speculation.

Throughout its 21 years of history, EXECUTIVE has kept a watchful eye on the Lebanese economy, applauding successes while also warning of troubling indicators in hopes they would be addressed. At the end of 2018, EXECUTIVE warned of an economic meltdown (on its end of year cover) and was proactive in publishing an economic roadmap to reboot Lebanon. Lebanon's situation did not improve as 2019 continued, and this was reflected in EXECUTIVE's coverage.

In this and the previous issue of EXECUTIVE, editors dedicated substantial coverage to the protests and their impact on the economy. In November, our main focus lay in providing a platform for comments and contributions from experts in addition to our own analysis and reporting. The validity and relevance of

these efforts to foster dialogues on saving Lebanon will be made clear in the year 2020, which is certain to be decisive for the country. The *thawra* (revolution) of 2019 brought on an avalanche of fake and politicized news from two opposite directions—those who resisted calls to relinquish power and return looted assets, but also those who wanted to get rid of the old regime at any cost. Uncorroborated stories, extreme accusations, and unsubstantiated allegations flooded virtual Lebanon, facilitated by the ease of sharing information digitally on social media and WhatsApp. People no longer knew what to believe or who to trust. Thus, at this historic juncture and turning point, Lebanon more than ever before needs and deserves as many independent and responsible journalistic voices, on the levels of media organizations and individuals in the profession, as possible. EXECUTIVE is well aware of the need for analytical business and economic journalism as a crucial facilitation factor in securing the future of this country. Editors are resolved to maintain and further increase the magazine's contribution to improve the fortunes of all groups and social strata in Lebanon that are committed to make this country the dignified home of all its people.

The last quarter of 2019 bought with it a lot of changes, some positive, such as the political elite falling from their pedestals in the eyes of many, and the Lebanese recognizing their own power as citizens. Negative changes were the economic situation that has forced people to survive under a new financial reality.

EXECUTIVE is in no way immune to the winds of economic and financial change sweeping the country.

Looking forward to 2020, what is certain is that change is the only constant. In plain language, this means that management and editors will collaboratively seek new funding and revenue sources in the coming year. The magazine will also explore its digital development options. EXECUTIVE's many committed readers—whom editors use this moment to thank and wish the best in their endeavors—and our—hopefully vastly growing numbers of opportunity-based readers—will be witnessing the results of our efforts: new paths to convey our quality content, and new ways to interact with audiences all over the world, as well as new coverage. We will keep exploring all these possibilities and put all ideas on the table, but what will not be up for debate, ever, is our mandate for responsible, transparent, and independent journalism.

As our wish for Lebanon, and with a bow to the paradigmatic narrative on what the year-end holiday season means in its most intercultural and constructive sense for a bunch of economic writers at this particular time, we borrow from Charles Dickens our wish that in 2020 every scrooge will find the economic health to tell every Bob Cratchitt "I am about to raise your salary!" in the recognition that shadows of things that have not yet happened can lead to different ends if courses are changed, even within a hair's breadth, to a path that is "open, generous, and true."





EXECUTIVE ECONOMIC ROADMAP

- DRAFT 3.0 -

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FOREWORD

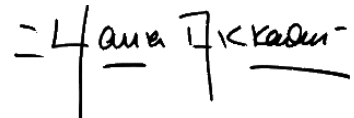
Lebanon stands at a crossroads. The mass popular uprising we have witnessed since October 17 is unprecedented, astounding, and long overdue.

For 21 years, EXECUTIVE has been providing expert analysis on Lebanon's economy, praising the good and raising increasing concerns over the bad. Too long these concerns went unheeded by a political class that has proven itself not fit for purpose time and again—and has now been resoundingly rejected by the street. We need to move forward together as a country. We need to restore confidence in our economy and in Lebanon itself.

EXECUTIVE's Economic Roadmap 3.0 is a comprehensive, collaborative action plan to address the urgent needs of our country. It has not been hastily written following the onset of the civil revolution, but instead builds on over 20 years of analysis and coverage and more than a year of consultations that took place with civil society across the country. This latest iteration, developed with the invaluable input of the experts who took part in our November roundtable initiative, was revised to reflect our new reality and the priorities it brings.

In its pages you will find a step by step approach to addressing Lebanon's needs, some measures now marked as more urgent than before but each with its own exigency. It is a roadmap to a new Lebanon. A starting point to reimagine and rebirth this country.

Our political class had 30 years to fix Lebanon—they failed. Now it's our turn.

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

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INTRODUCTION

This document—Economic Roadmap 3.0—is the most definitive Roadmap yet in EXECUTIVE Magazine’s ongoing quest for providing a working platform for advancing the Lebanese economy. Building on a first version published in the December 2018/January 2019 issue of EXECUTIVE, and a second version published with an additional 261 measures and three entirely new national priorities in February 2019, EXECUTIVE presents this third iteration at the end of 2019 in the hope that its reflection of fourth-quarter developments will accelerate the discussions seen in Lebanon after October 17 and elevate the economic discussion to one that can generate a new and healthy productive economy. As was the pattern from the beginning, we took a participatory approach in deliberations of Economic Roadmap 3.0—this time by inviting both online recommendations and querying around 50 diverse and qualified individuals in a series of six roundtables conducted in November 2019 (see coverage on starting page 30). The stakeholders at these tables ranged from representatives of civil society and persons with personal commitment to Lebanon’s civil *thawra* (revolution), to economists, industrialists, entrepreneurs, and academics.

As in the two previous Roadmap iterations, there was little or no disagreement on the top priority for moving Lebanon to safe economic ground in the face of a financial liquidity and confidence crisis that erupted from September 2019 in parallel to the October protests. However, while many needs of the Lebanese economy had not been met since we published Roadmap 2.0, priorities were added especially in the Build and Reform pillar as well as in the Combat pillar, specifically in Combat Corruption. The Build and Reform pillar addresses agenda priorities in the areas of fiscal policy, capacity building, state institutions, judicial reform, and regulatory frameworks. Moreover, while the list of pillars and agenda priorities in Roadmap 3.0 is the same as in iteration 2.0, we note that the agenda items discussed at the November roundtables (agenda priorities 1-6, 8, 11-13, and 15-18) saw more additions, new emphases, and modifications than the other five agenda priorities, but want to emphasize that the shifting toward urgent issues and short-term economic survival priorities does not detract from the importance of the remaining components in the Economic Roadmap. The fundamental question over the best economic system for Lebanon is still open but one dichotomy, a line of deceptive argumentation used throughout past periods of governmental vacuums in Lebanon and into the period after the resignation of the Hariri government at the end of October, has been revealed as fake news. This is the argumentation from some political quarters that addressing the economy is more important than adhering to the will of the people, as well as the view of some economic protagonists that political health will follow upon a vigorous private sector performance. In truth, as the last months of 2019 have proven, Lebanon needs a government that implements the will of the people and an economy that serves them. Ultimately, Lebanon has to decide what kind of system it wants to implement and move forward collectively. While the country is seeking to rebalance state and society in a cogent new system, EXECUTIVE is committed to contribute to this vital search by continually striving for a definitive, collaborative, and passion-empowered Economic Roadmap.

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Build & reform

Agenda Priority 1

BUILD FISCAL POLICY

In the fourth quarter of 2019, the issues concerning Lebanon's fiscal performance and public debt outlook have become challenges of economic survival. This new urgency only adds to the importance that has been enshrined previously in Article IV reviews for Lebanon by the International Monetary Fund (IMF). The IMF has repeatedly alerted officials that the debt burden could be the prime risk source compromising financial stability, and could prevent the government from attaining its economic objectives, stressing that a sustained and balanced fiscal adjustment is essential.

Many contend that under the conditions observed since the fall of 2019, it will not suffice 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. In this sense, the revised Agenda Priority 1 notes that the debt impact of economic and fiscal policies adopted since the 1990s still remains to be examined, as does the question of if and how corruption contributed to the escalation of public debt in Lebanon beyond the growth of GDP. These and other historic local and global factors deserve study, but in the immediacy of 2020 it has become paramount for the Lebanese state to reform and develop fiscal measures.

Further inevitable is a reexamination of the banking sector, its ability to support the government, private companies, and households, and the ways in which to implement financially sustainable policies at Banque du Liban (BDL), Lebanon's central bank. BDL's measures of debt management have been innovative, but at a cost. Before CEDRE funds will be made available, genuine structural and institutional reforms are needed at all levels.

Fiscal reform must introduce new instruments that are able to increase social justice and sustainability as well as incentivize private investments and greater economic activity. In addition, fiscal reform needs to be flanked by a proactive approach for aligning and developing the monetary policy and capital markets regime under the auspices of BDL, with the fiscal policies produced and implemented by the Ministry of Finance (MoF).

The fiscal reform policy must be contextualized, with measures that increase the primary surplus and rationalize expenditures; introduce institutional reforms to improve credibility, transparency, and planning; and initiate structural reforms to increase competitiveness and economic growth.

POLICY PRIORITY 1.1***BUILD FISCAL POLICY*****Main Challenges**

- *Research tax base, enhance tax incidence, and strengthen progressive/direct taxation*
- *Update tax instruments improve tax compliance, and penalize tax evasion, including income tax and value-added tax*
- *Rationalize (long-term) debt instruments*
- *★ Fulfill reform pledges linked to the CEDRE process and other commitments of the government*

Proposed Measures***Measure 1.1.1***

Improve deliberation and adoption of state budgets. Implement budgets with strict control, not to exceed spending targets, beginning with the 2019 budget. Commit to public consultations for future budgets, as prescribed in the MoF Citizen Budget 2018.

Measure 1.1.2

Expand comprehension of the size of the Lebanese tax base and incentivize participants in the informal economies to enroll in the formalized economy and pay taxes.

Measure 1.1.3

Improve tax collection and educate citizens on the benefits of taxation.

Measure 1.1.4

Disincentivize tax evasion and smooth the transition from tax evasion to tax compliance with help of grace periods and bridging measures.

Measure 1.1.5

Adopt digital tools to ease tax compliance and make taxation processes, including tax rates, more transparent, and inclusive of all economic sectors.

Measure 1.1.6

Launch work on a new, progressive tax policy and remove tax loopholes for offshore companies.

Measure 1.1.7

Review, expand, and ameliorate existing proposals on achievement of greater tax efficiency and justice (unified income tax draft law).

Measure 1.1.8

Achieve greater transparency of fiscal expenditures and use of tax revenues by making disclosures of fiscal allocations and tax usage mandatory for all ministries and state agencies.

Measure 1.1.9

Introduce new modeling techniques at the MoF that enable better forecasting and evaluation of the impacts of tax measures.

Build & reform

Agenda Priority 1

Measure 1.1.10

Streamline the issuance of new debt instruments and provide the citizens with clear information about new debt needs and measures.

Measure 1.1.11

In the medium term, help smooth out the debt burden through stronger activation of the secondary market. Publicly list all new debt instruments on the Beirut Stock Exchange (BSE) and/or Electronic Trading Platform (ETP).

Measure 1.1.12

Diligently pursue all structural reforms that relate to the improvement of the fiscal performance of Lebanon under existing commitments.

POLICY PRIORITY 1.2

FISCAL POLICY ALIGNMENT WITH MONETARY STABILITY PRESERVATION AND A SOUND EXCHANGE RATE REGIME

Main Challenges

- *Adjust exchange rate regime in accordance with policy needs.*
- *Embellish monetary policy in the form of interest rate and inflation targeting*
- *Refine the relationship between BDL and the MoF*
- *★ Increase the depth of capital markets*

Proposed Measures

★ Measure 1.2.1

Defend the dollar peg in the near term, examine pathways for switching to a crawling peg and depegging after restabilization of the exchange rate and identify appropriate timing and conditions to review the policy with the purpose of revision.

Measure 1.2.2

Establish a process for regular reviews of macroeconomic conditions in Lebanon, focusing on growth and stability.

Measure 1.2.3

Provide more disclosure of the decision and rationales used by BDL for their monetary policy, interest rate decisions, and inflation targets.

★ Measure 1.2.4

Streamline the procedure for interactions between BDL and fiscal policy-makers, to make the decision-making processes and outcomes more transparent.

Measure 1.2.5

Align fiscal policy with the stated objective of deepening capital markets in Lebanon through the incentivization of capital market operations. Encourage participation and investment in the Lebanese economy through usage of the new capital markets tool, the ETP (under design).

Measure 1.2.6

Encourage public listing of family-owned conglomerates and large businesses on the BSE.

Measure 1.2.7

Incentivize the floatation of young companies and startups, as well as small and medium enterprises, on the ETP.

Measure 1.2.8

Increase transparency and awareness of the mandate of the Capital Markets Authority in Lebanon.

Measure 1.2.9

Increase provision of technical support and fiscal incentives for the different classes of companies seeking to be newly listed.

Measure 1.2.10

Mandatory for all companies benefitting from public funds to be listed on the Beirut Stock Exchange with a 51 percent float.

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Build & reform

Agenda Priority 2

BUILD CAPACITIES

Lebanon faces the challenges of a fast-moving globalized economy, but at the same time has a backlog of lost development in economic capacities, brought on by decades of internal and external conflicts and state inactivity. While partial changes to the code of commerce were legislated in 2019, what remains to be overhauled is legislative infrastructure for the public and private economy and the ease of doing business. Processes and potential pitfalls of privatizations of state-owned or state-affiliated enterprises need to be examined. The data foundations for economic and social planning need to be determined, and productivity in the public and private sectors also needs improvement.

Due to long neglect of these, and other economically decisive areas, capacities in the public and private sector must be newly developed. There are experts and professionals with the work ethic and know-how needed for public service, and capacity building is an urgent priority to improve the collection, analysis, and usage of data for public policy formation, fiscal modeling, and social programs. Also necessary is the development of public sector capacities to support productivity and improvements in all sectors, as well as the alignment of public and private entities through completion of public-private partnership (PPP) legislation.

Public sector employees must be trained in governance, assistance, and supervision so that they can not only support the PPP processes that were legislated in 2017, but also achieve proper governance within public institutions. 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.

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. Privatization, however, should be considered on a case-by-case basis. PPPs can offer a reliable alternative in many instances.

While restructuring state-owned enterprises and legislative development—including the introduction of a competition law and 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 this program.

Privatization should not be considered as an option to generate revenues to meet short-term fiscal needs, but must instead be viewed as a process that will yield dynamic economic benefits in the long run.

POLICY PRIORITY 2.1**DEVELOP CAPACITIES FOR DATA COLLECTION, ANALYSIS, AND USE**

Main Challenges

- *Empower the Central Administration of Statistics (CAS)*
- *Devise and implement a census*
- *Develop a statistical master plan*
- *Coordinate between CAS projects and other stakeholders in the public administration and private sector*

Proposed Measures**Measure 2.1.1**

Review the CAS' capacities and invest in development of underpowered areas at the organization. This includes recruiting and training qualified statisticians and staff, and investing in data collection capabilities and software needed for analysis.

Measure 2.1.2

Legislate a census for Lebanon.

Measure 2.1.3

Implement the census.

Measure 2.1.4

Assist the CAS in developing a statistical master plan, and implement any agreements with foreign institutional counterparts. Integrate public and private sector stakeholders into the development of the statistical master plan for participation in its implementation.

Measure 2.1.5

Engage private sector stakeholders to supply anonymized data for statistical analysis needed for policy-making, and provide businesses with access to assist private sector decision-making.

POLICY PRIORITY 2.2**ENHANCE CAPACITIES IN THE PUBLIC SECTOR**

Main Challenges

- *Create an adequate human capital base of technical experts*
- *Create an adequate human capital base of governance and competition experts*

Proposed Measures**Measure 2.2.1**

Assess the level of technical competencies and gaps in public sector ministries and agencies, as well as the number of unnecessary or overlapping bodies.

Measure 2.2.2

Devise a plan to train or hire workers to fill identified gaps and determine the associated costs, in parallel to moving or reducing the number of workers in undefined and unnecessary roles.

Build & reform

Agenda Priority 2

Main Challenges

- Address absence of effective financial markets
- Uplift policy framework including privatization program
- Overhaul foreign direct investment (FDI) promotion channels

POLICY PRIORITY 2.3

INCREASE PRODUCTIVITY

Proposed Measures

Measure 2.3.1

In collaboration with commercial banks, financial intermediaries, capital market stakeholders, and Banque du Liban (BDL), Lebanon's central bank, establish various funds and capital markets instruments that will boost access to equity, credit, and investments.

Measure 2.3.2

Incentivize international joint ventures and technology transfer alliances by improving intellectual property rights protection, offering fiscal incentives, and removing non-tax barriers to businesses.

Measure 2.3.3

Invest in the institutional capacities and human capital of regulators that are deemed productivity boosters in financial markets, public services, and the real economy.

Measure 2.3.4

Encourage the attraction of FDI by upgrading investment agencies with more human capital and larger budgets for marketing and advertising in foreign jurisdictions, and increase incentives for inflows of FDI that contain technology transfer components.

POLICY PRIORITY 2.4

ENABLE THE BUSINESS AND INVESTMENT CLIMATE

Main Challenges

- Update legislation
- Facilitate trade
- Streamline interactions with the state and remove red tape

Proposed Measures

Measure 2.4.1

Further modernize existing laws pertaining to competition, anti-dumping, intellectual property, antitrust, small- and medium-sized enterprises, quality-enhancing, bankruptcy and insolvency, code of commerce, and the building code.

Measure 2.4.2

Create legislation that would allow for small debts recovery.

Measure 2.4.3

In the interest of improving trade facilitation, evaluate existing assessments, such as the World Bank's Doing Business report and similar international benchmarks on practices and barriers in Lebanon—act to address issues raised.

Measure 2.4.4

Introduce e-government solutions and improve omni-channel access to governmental procedures, such as customs, to reduce red tape on import and export trade procedures.

Measure 2.4.5

Introduce a government-backed export program with an added mandate of educating companies on how to export.

Measure 2.4.6

Create a trade and finance program and restructure all trade debts.

POLICY PRIORITY 2.5**MAKE PRIVATIZATION WORK****Main Challenges**

- *Remove barriers to privatization of state-owned enterprises*
- *Complete and empower PPP framework*
- *Increase public sector understanding of privatization and PPP*
- *Improve oversight structures and mechanisms*

Proposed Measures**Measure 2.5.1**

Complete and implement PPP legislation and empower independent oversight bodies that can contribute to the efficient delivery of services of PPPs, including the judiciary, regulatory bodies, and civil society.

Measure 2.5.2

Make state-owned enterprises market ready to operate as private sector entities.

Measure 2.5.3

Determine public good priorities to be met by privatized entities.

Measure 2.5.4

Activate capital markets in the context of privatization of state-owned enterprises.

Measure 2.5.5

Review privatization proposals on a case-by-case basis, and implement solutions to provide the services of privatized companies aligned with social and public interests.

Measure 2.5.6

Intensify existing nascent training of municipal, provincial, and national agencies in order to enable them to evaluate and manage PPP projects and procurements.

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Build & reform

Agenda Priority 3

BUILD STATE INSTITUTIONS

Public administration in Lebanon should adhere to meritocratic standards and need to meet paradigms of work ethics and efficiency. To migrate to a healthy public administration, it is of utmost importance that elected authorities reduce the size of the public sector and implement lawful and transparent hiring. On the national level, a civil service revamp should further eliminate inefficient, budget-draining programs, departments, and agencies, continuing steps initiated in autumn of 2019. On the sub-national level (regional and municipal administrations), the aim should be to decentralize decision-making, utilize new technologies, and increase productivity. Prerequisites for decentralization include: reformation of the legal and institutional setup of control institutions (e.g., public audit, civil service board, and central inspection); establishing a digital and transparent system for budget control and management; and restructuring districts according to economic parameters aimed at social cohesion. A merit-driven public administration would be the key to attracting foreign investment, creating jobs, and restoring confidence in the local economy.

POLICY PRIORITY 3.1

MODERNIZE THE CIVIL SERVICE

Main Challenges

- *Tackle decentralization*
- *Overhaul the civil service*
- *Eliminate corruption and dead-end careers*

Proposed Measures

Measure 3.1.1

Develop new legislation to consolidate previous draft laws for decentralization at the municipality level.

Measure 3.1.2

Improve legislation for determining responsibilities and decentralization structures for levels beyond the municipality.

Measure 3.1.3

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

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

In the context of overhauling the civil service, examine options for early retirement packages to reduce staff bloat and redundancies of workers, particularly in quasi-public entities providing public services.

Measure 3.1.6

Redesign and rationalize incentives including overtime allowances and non-monetary incentives for civil service employees.

★ Measure 3.1.7

Enhance institutional oversight and accountability bodies with the aim of reducing corruption and improving public sector productivity (more policy targets and measures on combating corruption can be found in Agenda Priority 12).

Measure 3.1.8

Ensure the implementation of whistleblower protection legislation and adequate mechanisms for reporting infractions.

Measure 3.1.9

Align institutional development with a roadmap for e-government, and adjust organizational charts of public entities to comply with an e-government roadmap.

Measure 3.1.10

Restore the sole authority of the Civil Service Board as the oversight body for the examination and hiring of public sector employees.

POLICY PRIORITY 3.2**REFORM MINISTRIES AND AGENCIES**

Main Challenges

- *Remove redundancies in the ministerial space*
- *Align political and economic objectives in distribution of public administration units*

Proposed Measures**Measure 3.2.1**

Examine the allocation of ministries and ministerial portfolios under economic and governance perspectives, eliminate political power distribution as a reason for ministerial appointments, and condense the number of ministries to be more in line with international standards.

Measure 3.2.2

Implement the consolidation of agencies with overlapping authorities and functions as proposed in the October 2019 governmental rescue plan (such as the Council for Development and Reconstruction, the Council of the South, the Displaced Fund, and the Higher Relief Committee) and expand consolidation process further.

Measure 3.2.3

When warranted by economic needs, establish new institutional competencies. For example, independent agencies for export promotion or diaspora relations.

Measure 3.2.4

Ensure the independence of the Special Investigation Commission and appoint a chairman who is independent from, rather than head of, the central bank.

Measure 3.2.5

Improve the disclosure processes of draft legislation and enable greater public participation in the drafting of legislation. Attendance records of all parliamentary sessions and the voting records of parliamentarians should be made easily accessible to the public.

Measure 3.2.6

Institute a credit bureau that has a governmental mandate of collecting information and ensuring adherence to contracts and agreements.

Build & reform

Agenda Priority 4

JUDICIAL REFORM

Lebanon's current judicial system has been in place since the country's independence, but this longevity belies the judiciary's manifold weaknesses. The main points of concern are over weak independence and inefficiency of the judiciary, especially in the time lag on judgments achieved in judicial proceedings. A key demand in this regard is the strengthening of judicial independence. Another aspect of concern is that confessional considerations have influenced the judicial selection process. Military conflicts in Lebanon in the second half of the 20th century affected the political system and the independence of the judiciary, eroding citizens' confidence in both. Critics of the judicial system in civil society cite interference in the courts, particularly internal interference by judges in the Higher Judicial Council (HJC), as "commonplace." These critics argue that every citizen needs to feel protected by the courts, regardless of their sect or standing in society. The current system does not provide this guarantee.

Barriers against the possibility of holding public servants accountable for their actions, and possible infractions, have to be removed. Provision of immunity from legal repercussions for all public servants, including ministers, must be examined and, if necessary, amended to improve judicial accountability.

Incentives for judges to avoid engaging in corrupt activities must be developed. The executive branch has significant influence in the selection process of the HJC, which is a violation of the democratic principle of the separation of powers. Structural problems may also arise from the HJC's authority to transfer judges between posts without the judge's consent. Civil society activists note that judges are appointed as consultants for various administrations, again blurring the lines of the separation of powers. This, moreover, becomes a way to bribe judges, as salaries increase for each additional consultancy position.

In an independent judiciary, the principle of the immovability of judges is an integral factor. A judge's qualifications, impartiality, and experience should be the basis for promotion. Currently, judges operate with little oversight, as no evaluation mechanism is in place to monitor effectiveness and competency after appointment.

POLICY PRIORITY 4.1

INCREASE THE ABILITY OF JUDICIARY TO FUNCTION INDEPENDENTLY

Main Challenges

- Improve access to judicial records
- Institute merit-based evaluation mechanism for judges
- Improve judicial independence
- Build resilience to corruption
- Align standards for Lebanese judiciary with international standards

Proposed Measures

★ Measure 4.1.1

Pass the draft law on judicial independence and transparency as a concrete measure toward building a strong judiciary.

Measure 4.1.2

Adopt periodic evaluation of judges and create a personnel file for each judge to track performance. Establish an objective criteria as a basis for appointments and promotions, and ensure that promotions are based on merit and competence.

Measure 4.1.3

Integrate the principle of immovability of judges into current practices.

Measure 4.1.4

Improve recruitment of competent, quality judges by increasing impartialities in the entrance exam and limiting the weight of the oral exam in the final grade as this assessment is more vulnerable to the examiner's biases.

Measure 4.1.5

Review the judiciary system of the military court and ensure that civilians are treated under civil jurisdictions.

Measure 4.1.6

Strengthen judiciary mechanisms to ensure compliance with international conventions, such as the UN Convention on the Rights of the Child and UN Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.

POLICY PRIORITY 4.2**IMPROVEMENT OF JUDICIAL INSTITUTIONS**

Main Challenges

- *Reform the Higher Judicial Council*
- *Legislate and facilitate the inclusion of officials*
- *Enhance integrity and transparency*

Proposed Measures**Measure 4.2.1**

Restructure HJC to ensure representation and independence of different categories and grades of judges.

Measure 4.2.2

Remove conflict of interest issues by addressing the practice of judges working as consultants for governmental administrative entities.

Measure 4.2.3

Adopt laws to ensure the complete financial and administrative independence of the judiciary.

Measure 4.2.4

Limit immunities of heads of state, ministers, legislators, and other public officials through the empowerment of the appropriate institutions under Article 80 of the Constitution of the Republic of Lebanon.

Measure 4.2.5

Embellish the framework for easing citizens' access to non-court arbitration procedures, for example, by creating the position of ombudsman to support citizens' pursuit of justice.

Measure 4.2.6

Digitize all court records and proceedings, and provide access to these records where warranted.

Build & reform

Agenda Priority 5

BUILD REGULATORY FRAMEWORKS

Legal and regulatory frameworks provide assurance to markets, offering a level and competitive playing field to businesses in an increasingly globalized and complex environment. A healthy legal and regulatory environment is one that continuously adapts local and national practices to international best practices. In Lebanon, many of these frameworks have not been kept up to standard, 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 operate within 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 should develop alignments with global regulatory standards, as exemplified for financial 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 the success of their implementation.

POLICY PRIORITY 5.1

MODERNIZE REGULATORY FRAMEWORK

Main Challenges

- *Modernize the legislative framework against money laundering and hot money*
- *Assess and improve the enforceability of anti-corruption regulations*
- *Upgrade regulatory frameworks and incentives for small and medium enterprises*
- *Improve regulatory frameworks and incentives for startups, green projects and instruments*

Proposed Measures

★ **Measure 5.1.1**

Review current measurements of risk exposure of banks, modernize the legal framework of credit guarantees and debt recovery procedures, and improve the credit system.

★ **Measure 5.1.2**

Appoint, rejuvenate, and empower the Telecom Regulatory Authority, the Lebanese Petroleum Administration, the Insurance Control Commission, and the Electricity Regulatory Authority to further empower independent regulatory institutions.

Measure 5.1.3

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

Measure 5.1.4

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

Measure 5.1.5

Put in place incentives and regulatory frameworks to encourage the proliferation of, and financing and investment into, SMEs and startups, including incentives with emphasis on green investments.

Measure 5.1.6

Develop new legislation to consolidate previous draft laws for the insurance sector to promote proper competition and better protect policy-holders.

Measure 5.1.7

Standardize operating procedures and codify health regulations in the hospitality sector.

★ *Measure 5.1.8*

Fully implement Law 28 (2017) on access to information and coordinate a national plan for combating corruption; issue auxiliary legislation to form the national anti-corruption commission.

★ *Measure 5.1.9*

Enhance competitiveness in the economy by passing legislation and measures to improve the doing business environment, as per Policy Priority 2.4: Enable the Business and Investment Climate.

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Strategize

Agenda Priority 6

STRATEGIZE EDUCATION

Lebanon faces the need to overhaul its education system in line with current understandings of emotional and social development processes and knowledge acquisition of children and youth. Given the fragmentations of the existing system, especially along the lines of private and public schooling, an improvement of overall education outcomes is needed across institutions, from kindergarten to high school, universities, and vocational schools. Under consideration of the shrinking ability of households to finance quality education from their own resources, and with regard to the importance of education that enables today's youth to sustain themselves in a digital economy, the importance of revising and reinventing education systems from angles of financing and pedagogics is heightened. Academic institutions across the country are generally under-funded and operate with little oversight. There is little consistency in education policy and Lebanon's students emerge into a labor market that is incapable of absorbing the high number of graduates, exacerbating the brain drain. Lebanon's educational system must provide access to all school-age students, a challenge that has become more acute in the face of growing inability of households to finance private education. Academic facilities across the country must be enhanced to accommodate and improve educational access for those with physical and intellectual disabilities.

The Ministry of Education and Higher Education (MoEHE) must build on best practices and existing programs to reform curricula, and build resilient and autonomous academic governing structures and educational institutions. Successful educational reform must focus on the core components of teaching, learning, and preparing children for the digital era. These reforms need to be made under the umbrella of the Center for Educational Research and Development (CERD). But first, the CERD must be rejuvenated to operate at capacity. The MoEHE's human resource strategy and structure also must be urgently addressed.

POLICY PRIORITY 6.1

CREATE A NATIONAL VISION FOR EDUCATION

Main Challenges

- *Ensure national curricula are in line with international standards*
- *Prioritize new knowledge and national libraries*
- *Utilize existing networks and best practices*
- *Pursue integration of special needs student*

Proposed Measures

✦ **Measure 6.1.1**

Redesign a curriculum for schools that puts skill building at the center, and that focuses on the 8 Cs (curiosity, collaboration, composure, compassion, creativity, communication, collaboration, and citizenship).

Measure 6.1.2

Study and emulate the best education practices worldwide, e.g. the Finnish model.

Measure 6.1.3

Review and revise the content of the Lebanese Baccalaureate exams.

Measure 6.1.4

Develop a monitoring and evaluation mechanism that can be used to build a statistical foundation to measure and evaluate the quality of education.

Measure 6.1.5

Using the existing statistical database, incorporate evidence-based policy to review and revise the structure of the public education system, and to strengthen governance and accountability.

Measure 6.1.6

Pursue new international agreements and expand existing agreements for university exchange programs.

★ Measure 6.1.7

Establish an auditing system at the MoEHE so that education standards are equal across public and private schools at all education levels.

Measure 6.1.8

Develop new continuing education initiatives for educators to learn latest practices and incorporate technology into the classroom.

Measure 6.1.9

Ensure enrollment access from kindergarten to high school for all students, regardless of gender, orientation, religion, socioeconomic or residency status, and physical and/or intellectual disability.

Measure 6.1.10

Develop new legislation to consolidate previous draft laws and require all public and private schools to accommodate students, faculty, and staff with disabilities. In addition, this legislation must eliminate discriminatory admission policies and costs, and ensure inclusive curricula, staff training, and reasonable accommodation.

Measure 6.1.11

Require all public and private schools to upgrade facilities with necessary infrastructure—such as ramps, elevators, and accessible restrooms—for students with physical disabilities.

Measure 6.1.12

Develop alternative learning paths for students with special needs, and enhance faculty capacities for inclusive education.

POLICY PRIORITY 6.2**DEVELOP A SKILLED LABOR FORCE****Main Challenges**

- *Diversify education*
- *Promote lifelong learning*

Proposed Measures**Measure 6.2.1**

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

Strategize

Agenda Priority 6

Measure 6.2.2

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 6.2.3

Subsidize software and language classes for part-time and full-time workers and those employed at enterprises that have 10 or fewer workers.

Measure 6.2.4

Offer incentives to employers so that businesses invest in their workforce and employees have access to continuing education programs.

Measure 6.2.5

Enhance the matching of labor market and education provision with the collaboration of an inter-ministerial task force.

POLICY PRIORITIES 6.3

STRENGTHEN PUBLIC EDUCATION

Main Challenges

- *Standardize education*
- *Strengthen institutional autonomy*

Proposed Measures

Measure 6.3.1

Establish a national accreditation board to review and, if necessary, revise licenses of academic institutions.

Measure 6.3.2

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.

Measure 6.3.3

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

Measure 6.3.4

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

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STRATEGIZE HEALTH

A checkup on the overall robustness of the nation's health infrastructure would show that the vital signs of the country's health sector are generally good, albeit with some lingering concerns, such as reports of malpractice and medical insurance fraud. Further, it must be ensured that access to healthcare is available for everyone in Lebanon.

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 Lebanon's medical centers, hospitals, and primary health facilities—during which the health system has not buckled. Since the onset of Lebanon's liquidity crisis in the second half of 2019, however, concerns have furthermore been raised with regard to funding imported medicines and medical equipment. The overall diagnosis is that the healthcare sector requires coordinated development between the public sector and the for-profit and nonprofit private sectors. The private sector needs to learn from the experiences of public health institutions and the Ministry of Public Health (MoPH) over the last few years, adopting lessons learned and best practices. Greater attention must be paid to public health issues, like the harmful effects of open waste burning.

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. Working on the issues that the ministry has not addressed—such as closing coverage gaps and eliminating structures that are producing inequalities in these areas—must also be prioritized. The ministry must hone its ability to regulate and supervise, and it has made progress on that front. Greater effort must be made to reposition the MoPH as a regulatory body, pivoting away from its service delivery role.

Both public and private health institutions need to create a better popular understanding of the connections between their work and mutual collaboration, and the benefits to overall public health. Stakeholders seem not to have coordinated their public relations in this regard, 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 7.1

MODERNIZE THE LEGISLATIVE AND INSTITUTIONAL FRAMEWORK

Main Challenges

- *Define the role and mandate of the MoPH*
- *Improve hospital supervision*
- *Improve patient rights*

Proposed Measures

Measure 7.1.1

Organize a health forum where stakeholders can contribute to support the national strategy and manage expectations and priorities. The forum can also serve as a platform to communicate policy direction and outcomes with the media and public.

Measure 7.1.2

Assess and revise licensing of health facilities and identify new criteria for medical centers to operate under. After institutions are accredited, implement follow-up checks to ensure standards are consistently met.

Strategize

Agenda Priority 7

★ **Measure 7.1.3**

Establish an autonomous regulatory agency that collaborates with the MoPH to regulate the pharmaceutical sector, with its main objectives being to ensure high standards, fair competition, and equal access, and to incentivize import substitution of medicines with locally manufactured medication.

Measure 7.1.4

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

Measure 7.1.5

Digitize personal medical records, starting with first contact at primary healthcare centers, to be used at secondary and tertiary medical facilities.

Measure 7.1.6

Put together a national committee that, in collaboration with the National Council for Scientific Research, the World Health Organization, and international organizations, will define a research agenda for health priorities and seek yearly grants.

POLICY PRIORITY 7.2

IMPROVE SOCIAL INSURANCE SYSTEMS

Main Challenges

- *Public funds and social security*
- *Empower insurance supervision*
- *Private insurance*

Proposed Measures

★ **Measure 7.2.1**

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 7.2.2**

Finalize the automation of the National Social Security Fund and introduce web-enabled services, starting with tracking applications and direct wiring of refunds for eligible beneficiaries.

★ **Measure 7.2.3**

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

Measure 7.2.4

Take steps toward the provision of universal healthcare through the expansion of health insurance coverage.

POLICY PRIORITY 7.3

LAUNCH AN EDUCATIONAL AND CIVIL SERVICE CAMPAIGN

Main Challenges

- *Raise awareness on preventive health*
- *Raise public awareness on health-related issues*

Proposed Measures

★ Measure 7.3.1

Enhance the provision of healthcare services to families and individuals who are threatened by poverty in light of the crisis in Lebanon

Measure 7.3.2

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

Measure 7.3.3

Develop nursing programs and a faculty of nursing as part of Lebanese University, which would include internships at hospitals in rural or impoverished areas, or in mobile clinics.

Measure 7.3.4

Launch year-long public awareness campaigns targeting seasonal, communicable, and non-communicable diseases and ways to prevent and combat them, and run campaigns explaining the right to healthcare and how to exercise it.

POLICY PRIORITY 7.4

IMPROVE PUBLIC HEALTH

Main Challenges

- *Boost recycling efforts*
- *Stop uncontrolled waste burning*
- *Improve food safety and restaurant inspections*

Proposed Measures

Measure 7.4.1

Launch awareness programs in all schools to teach children about recycling and conservation, and ensure that schools recycle.

Measure 7.4.2

Create a comprehensive public health strategy to tackle the health problems resulting from uncontrolled waste burning.

Measure 7.4.3

Implement Law 35 (2015) on food safety, including the Food Safety Lebanese Commission (FSLC). Train inspectors and ensure they have adequate capacity to carry out inspections.

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Strategize

Agenda Priority 8

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 annual deficits of \$1.5-\$2 billion, depending on fuel prices, thus contributing more than 40 percent of the public debt. Meanwhile, service provision has worsened over the years (as the electrical grid deteriorates and electricity demand grows). 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, although this will take on average eight years, even if exports to foreign markets prove elusive. While the power sector requires that sustainable solutions be implemented sooner rather than later, switching to natural gas in anticipation of the discovery of local reserves will not only provide the necessary infrastructure and prepare the power sector for that phase, but is also cheaper than the heavy fuel oil and diesel oil currently being used, and more environmentally friendly, reducing the sector's greenhouse gas emissions. To uphold commitments to the 2015 Paris Agreement on climate change, Lebanon must invest heavily in renewable energy generation, taking advantage of the country's abundant renewable resources, thus diversifying the country's energy sources, decreasing its dependence on fossil fuels (with their price volatility), and improving the country's energy security.

POLICY PRIORITY 8

DEVELOP AND IMPLEMENT A SUSTAINABLE ENERGY POLICY

Main Challenges

- *Improve sector's governance, regulation, and procurement processes*
- *Sustainably increase power generation*
- *Cut down on technical and non-technical losses*
- *Reduce the cost of power generation*
- *Equitably increase the electricity tariff*
- *Restructure EDL*
- *Strategize for offshore and onshore exploration*
- *Develop regional partnerships and grid networks*

Proposed Measures

★ **Measure 8.1**

Revise the April 2019 electricity policy paper to propose optimal solutions in light of the economic crisis and liquidity shortage, and amend the timeframes and issue a fiscal analysis showcasing the soundness of the proposed solution.

★ **Measure 8.2**

Improve governance in the sector through a consistent regulatory and procurement framework, limiting the monopoly of any entity and promoting healthy competition and transparency.

★ **Measure 8.3**

Reduce the fiscal deficit in the power sector through the reduction of technical and non-technical losses and the gradual removal of subsidies in line with an increase in permanent power generation, as well as significantly reduce illegal connections, and implement more efficient bill collection, so that all Lebanese have equal access to electricity and pay their fair share. A hike in tariff prior to a drastic cut in non-technical losses will result in increased losses.

- *Increase competition in the gas and fuel import markets*
- *Boost the share of gas in the energy mix*
- *Remedy absence of comprehensive national energy strategy*
- *Develop integrated strategy that covers fossil and renewable energy resources*

✱ **Measure 8.4**

Fully implement Law 462 (2002) by appointing an independent regulatory authority with full authority and an independent fiscal and managerial mandate, to regulate the sector and restructure EDL into an optimal governance structure. The electricity utility should be unbundled and separated into generation and distribution companies, potentially keeping the transmission component under the auspices of EDL. The strategy should draw on lessons learned from previous policies and other countries' case studies to develop and implement solutions to modernize the sector and turn it profitable by, among other things, involving the private sector through a public-private partnership. This may reduce the size of the workforce needed at EDL, while improving the mandate.

✱ **Measure 8.5**

Fully implement EDL's Master Plan for grid reinforcement. An increase in additional capacity prior to necessary grid improvement would result in additional fiscal losses.

✱ **Measure 8.6**

Revise downwards the plan to implement the three unnecessary floating storage and regasification units and the timeframe for project completion, as the previous plans of switching to natural gas are no longer realistic in light of the long delays in contract award and signature.

Measure 8.7

Promote transparency and access to information at the level of the Ministry of Energy and Water (MoEW) and all administrative units relating to energy issues, and make studies, tenders and contracts publicly available.

Measure 8.8

Specify clear mandates for each institution operating in the sector, and ensure that all operating entities are official departments of the MoEW.

Measure 8.9

Conduct a full audit for EDL and all institutions operating within the sector.

✱ **Measure 8.10**

Develop a comprehensive energy strategy, through a process of stakeholder engagement, that increases power generation and distribution efficiency at optimal cost to secure Lebanon's long-term energy needs and improve overall sector governance.

Strategize

Agenda Priority 8

✦ **Measure 8.11**

Develop a national oil and gas strategy that would forecast different scenarios and assess them based on: market prices, sizes of discoveries, types of hydrocarbons found, development solutions for fields, costs of exploration and production, market conditions, geopolitics, and domestic politics and market.

Measure 8.12

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 and, potentially, future exports if Lebanon discovers oil or gas, and employ electricity generated from renewable energy sources for better grid integration and balancing of the systems.

Measure 8.13

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

✦ **Measure 8.14**

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

Measure 8.15

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.

Measure 8.16

Implement clean energy production incentive tools. This can be done by amending Law 462 (2012) to allow feed-in tariffs (FIT) to be introduced, or by introducing net metering that would allow consumers to inject power generated at their premises into the grid.

✦ **Measure 8.17**

Issue and implement a renewable energy and energy efficiency law, which would provide the MoEW with a framework for mainstreaming energy efficiency and renewables management in Lebanon.

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STRATEGIZE WATER

Lebanon is blessed with substantial natural water resources, including surface water, groundwater, and spring water, but little has been accomplished in the way of conservation or sustainable exploitation of these resources. Mismanagement, outdated storage infrastructure, inefficiencies across the sector, and the influx of Syrian refugees have increased water stress and water scarcity. Currently, the Ministry of Energy and Water (MoEW) is largely understaffed and past attempts to reorganize managing bodies have fallen short. The confluence of these factors has left most of the country to rely on costly private distribution networks. Further, tap water is not safe to drink. The development of the water sector and related transportation infrastructure is crucial to the future diversification of the Lebanese economy.

While Law 221 (2000) reformed the governance of the water sector, creating four regional water authorities under the supervision of the MoEW, this restructuring has not been successful and mismanagement still runs rampant. Outdated storage facilities lead to leaks and lost water, and Lebanon's karst topography makes leakage from artificial reservoirs common. Further, of the 12 planned dam projects as of 2015, only two are operational today: the Qaraoun dam and the Chabrouh dam. While there are laws that govern well digging, it is estimated that 80 percent of wells in Lebanon were dug illegally, diminishing the supply from public wells. In the agriculture sector, which accounts for 61 percent of the country's water usage, inefficient irrigation practices are another cause for concern. All these inefficiencies equate to a colossal waste of water, and efforts must be taken to upgrade storage facilities, and transport networks, and rethink current practices regarding pricing and distribution.

Beyond inefficiencies and mismanagement, a flat rate is charged for water usage that does not reflect actual consumption. There is consequently little incentive to conserve water, and there is a lack of public awareness about water conservation.

The last national water strategy, drafted in 2010, is outdated and must be altered to address the current challenges in the sector. The construction and maintenance of an efficient water distribution system would improve delivery to citizens. It is imperative to upgrade storage facilities and existing delivery systems and networks.

POLICY PRIORITY 9.1

UPDATE WATER STRATEGY AND SECTOR GOVERNANCE

Main Challenges

- *Create a coherent national plan with the participation of the Lebanese public*
- *Define organizational structure of governing entities*
- *Revise current water pricing regime*
- *Explore hydropower options*

Proposed Measures

Measure 9.1.1

Create a more coherent Water Master Plan, building on the National Water Sector Strategy (2010) and reassess water infrastructure projects for politically-induced projects, e.g. dams.

Measure 9.1.2

Follow up on the consolidation of the regional water authorities and define their organizational structure and mandate. Increase coordination between the Regional Water and Wastewater Establishment, the MoEW, and other relevant government agencies.

Measure 9.1.3

Modernize existing hydropower generation units and study potential for additional power generation, taking into account development plans and ecological needs.

Strategize

Agenda Priority 9

Main Challenges

- *Improve access to drinkable water through licensing, distribution, and health regulations*
- *Upgrade storage facilities and water transport infrastructure*
- *Enforce laws regarding well digging*
- *Increase efficiency in the agriculture sector*

Measure 9.1.4

Reassess the current pricing scheme and introduce a new water tariff regime that is connected to the actual usage of water by the consumer. To do this, water metering must be implemented throughout the country.

Measure 9.1.5

Support and modernize water-based energy plants and identify other opportunities to generate power.

POLICY PRIORITY 9.2

MAXIMIZE EFFICIENCY ACROSS THE SECTOR TO REDUCE LOSSES

Proposed Measures

Measure 9.2.1

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

Measure 9.2.2

Assess and strategize optimal efficiency of water transport infrastructure.

Measure 9.2.3

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

Measure 9.2.4

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

Measure 9.2.5

Ensure continuous access to quality water by enforcing the prohibition of illegal well drilling, and incentivize efficient management of groundwater resources in urban and rural settings. Reduce extraction from private wells and ensure responsible usage of public wells.

Measure 9.2.6

Mandate relocation of all water-intensive industrial processes into specifically designated industrial zones.

Measure 9.2.7

Assess and optimize efficiency of water use by farms and the agricultural sector. Reduce inefficiencies in the agriculture sector by increasing the usage of more efficient irrigation systems, such as drip irrigation.

Measure 9.2.8

Research, design, and launch a public awareness campaign that teaches conservation in schools.

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STRATEGIZE TRANSPORT

In the second half of the 20th century—while Lebanon was in the throgs of internal strife—the diversity, intensity, and overall importance of global trade increased tremendously. All mobility categories—land, sea, and air—benefited from technical innovations that ranged from the rise of container shipping and efficiency gains in commercial aviation to the introduction of electric, alternative mobility, and sharing solutions in landbound and urban transport. Having remained partially isolated from new transportation developments during the civil war (1975-1990), Lebanon has, in the three post-conflict decades, failed to catch up—achieving only partial inclusion in recent global transportation sector developments.

Missed opportunities for reaping greater economic and social benefits relate to infrastructure and operations across all modes of transportation. This translates into lost economic benefits thanks to the sub-optimal utilization of the country's geographic location, which gives it an advantage in areas such as commercial shipping. Additionally, transportation infrastructure inefficiencies have obstructed the realization of tourism potentials in a variety of segments, from religious and ecological to leisure and cultural tourism, and have also limited Lebanon's potential as an aviation hub. Moreover, inefficiencies and infrastructure problems in domestic mobility, as well as over-reliance on individual and quasi-individual transport in and between urban centers, are contributing to social risks (for example, medical and environmental) and to high direct losses and opportunity costs in the economy (due to traffic congestions, above-average vehicular damage incidents, etc.).

To address its weaknesses in all modes of transportation, Lebanon must develop maritime and aviation transportation infrastructure, motorways, secondary roads, urban transport nodes, and rail networks. Improvements to domestic mobility infrastructures—such as internally linking Lebanese ports and cities, and externally improving connections to neighboring countries—would not only create important direct revenues and translate into indirect opportunities for economic gains in inbound tourism and regional transit trade, but also make Lebanon a regional transit hub in the Eastern Mediterranean. The lack of a coherent strategy for cross-border and national transport in general, and the absence of plans for more specific domestic needs, such as preventive maintenance of inter-urban and urban mobility infrastructures throughout the country, has been identified as a drag on the Lebanese economy. Knowledge of the insufficient and fragmented allocation of funds to transportation infrastructure developments makes it even more important to strategize mobility and transportation as one pillar of a national economic plan.

POLICY PRIORITY 10.1

DEVELOP A TRANSPORT POLICY FOR NATIONAL AND CROSS-BORDER MOBILITY

Main Challenges

- *Reinvent public transport: intercity and intracity*
- *Enable maritime, air, and commercial transport*

Proposed Measures

★ Measure 10.1.1

Develop a comprehensive national policy for sustainable transportation that will regulate passenger and freight transport by road, sea, and air, and incentivize the development of public transportation in both urban and rural areas. Policy will address

Strategize

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critical issues facing the sector such as road traffic congestion and the environmental and health impacts of road transport, taxi and bus service licensing, trucking operations and safety issues, public parking, and implementation mechanisms for all provisions of traffic Law 243 (2012).

Measure 10.1.2

Prioritize intracity transportation development with a strong public transport component for Greater Beirut, including an intracity public bus service network proposed by the Railway and Public Transit Authority (RPTA) of the Ministry of Public Works and Transport (MoPWT), and an intra and intercity rapid bus service proposed by the World Bank under the \$295 million Greater Beirut Public Transport Project that was adopted as Decree 66 (2017) by the Council of Ministers and approved by Parliament in June 2019.

Measure 10.1.3

Enhance intercity public transport by expanding bus transport networks and rehabilitating the railway line between Beirut and Tripoli.

Measure 10.1.4

Develop frameworks organizing commercial transport and integrating all Lebanese ports and airports into advanced digitized traffic management systems and modern, durable traffic networks.

Measure 10.1.5

Improve urban mobility through the designation of bus lanes and the demarcation of routes for those using alternative modes of transport especially dedicated bike lanes that facilitate bike riding to work in urban centers, as well as on a municipal level and between Beirut and major cities.

Measure 10.1.6

Implement advanced toll road and traffic guidance schemes for highways outside of Greater Beirut that can satisfy requirements for the control of traffic flows and the mitigation of accident risks, and that can also generate revenue to finance road maintenance.

Measure 10.1.7

Develop 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.

Measure 10.1.8

Rehabilitate the Tripoli-Abboudieh (Syrian border) freight rail line and construct an extension link to the port of Tripoli.

POLICY PRIORITY 10.2
IMPROVE URBAN MOBILITY AND THE ENVIRONMENTAL COMPATIBILITY OF TRANSPORT

Main Challenges

- *Develop standards and ethics in enforcement of transportation behavior*
- *Enforce driving codes and public parking*
- *Incentivize environmentally compatible modes of transport*

Proposed Measures
Measure 10.2.1

Empower the national police force and municipal police departments to strictly enforce Law 243 (2012) on traffic regulation 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 the prosecution of traffic violations.

Measure 10.2.2

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 10.2.3

Introduce build-operate-transfer (BOT) financing for underground public parking projects, to be covered at the ground level by greenery and gardens or other public spaces that meet environmental, urban planning, and urban living standards in cities. Standardize rates for long-term and residential parking.

Measure 10.2.4

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

Measure 10.2.5

Require all municipalities and authorities supervising highways to uphold road safety maintenance in every sense, including: the upkeep of security barriers, the development and maintenance of signage, and the upgrading of road surfaces.

Measure 10.2.6

Require municipalities to develop and accommodate safe pedestrian environments, by, for instance, 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 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.

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Measure 10.2.7

Protect mobility of pedestrians and secure zones with special rights for traffic participants with impaired mobility. Develop infrastructure for rentable e-bikes and protect pathways reserved for non-motorized users, such as bicycles or persons pushing baby strollers.

Measure 10.2.8

Exempt from customs and excise taxes, registration, and road usage fees on all new, fuel-efficient and alternative-fuel compact cars, with the aim of shifting toward smaller, less-polluting vehicles.

Measure 10.2.9

Provide private households with incentives for adopting less-polluting modes of transport, through measures ranging from tax rebates for buyers of electric vehicles and daily users of public transport, to increases in annual road taxes for old and polluting vehicles. Incentivize private vehicle owners to replace old, polluting vehicles with new vehicles that comply with advanced emission standards.

Measure 10.2.10

Replace all existing gasoline and diesel buses with newer model bus technologies running on clean fuels, such as natural gas and electricity, with the needed refueling and recharging infrastructure.

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Combat

Agenda Priority 11

COMBAT GENDER INEQUALITIES AND GENDER-BASED VIOLENCE

Violations of women's rights are not just detrimental to society, human rights, and the dignity of women, but are also extremely damaging to a country's prospects for sustainable economic development. Lebanon has made some inroads toward correcting the injustices inflicted on women, but substantial work is still needed. Lebanon has a reputation for openness, liberties, and freedom, but in reality the country lags behind others 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 and engagement in decision-making positions (namely in the judicial and public administrations), 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—attitudes that are not only problematic for gender equality but also for gender or sexual orientation. 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 women, suppressing their innovation, creativity, productivity, and—most importantly—their basic freedoms. Lebanon still has reservations about some major international conventions—such as the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW)—and has yet to reform domestic laws, change unfair customs (e.g., unequal employment opportunities and family status laws), and combat gender-based violence (GBV), including harassment in schools, universities, and the public and private spheres. 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 11.1

REFORM LAWS TO FOSTER PROTECTION FOR WOMEN

Main Challenges

- *Enforce legislation designed to protect women*
- *Provide additional legal and social protections and cost-effective quality service for victims of GBV*
- *Adopt, without reservations, international conventions on women's rights*

Proposed Measures

Measure 11.1.1

Amend and reinforce the operationalization of Law 293 (2014) related to protection of women and all family members from family violence.

Measure 11.1.2

Support and develop projects with civil society to influence attitude and behavioral change on women's issues (e.g., 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 and in political life.

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Agenda Priority 11

Measure 11.1.3

Mandate by law a further increase in parental leave—maternity and paternity—allow flexible work schedules for parents and advocate for child-friendly spaces/nurseries in the workplace.

Measure 11.1.4

Introduce new legislation or amend the criminal code to outlaw and increase sentences against sexual gender-based violence (e.g., marital rape, incestuous rape, sexual harassment). Adopt a unified civil personal status law, guaranteeing gender equality that is compliant with the constitution and the international commitments of Lebanon.

Measure 11.1.5

Lebanon has adopted CEDAW, but maintains reservations about some articles. Lebanon should adopt CEDAW in its entirety, without reservations. The Optional Protocol, which was included as an addendum to CEDAW, has still not been adopted by Lebanon. Additionally, UN Security Council Resolution (UNSCR) 1325 on women, peace and security must be integrated into state legal and regulatory policies to better protect women during and after armed conflicts. Hence, operationalization/rollout of the June 2019 national action plan on UNSCR 1325 must be prioritized.

Measure 11.1.6

Review and create the most feasible institutional setup that can serve for protection and advancement of women in the context of Lebanese budget constraints.

Measure 11.1.7

Support existent women's emergency safe shelters across the country to provide standardized-quality, safe temporary accommodation in which women along with their children can seek life-saving refuge and receive specialized help in crisis situation.

Measure 11.1.8

Amend Decree 15 (1925) on Lebanese nationality to ensure that children and spouses of Lebanese women have the same right to citizenship as those of Lebanese men.

Measure 11.1.9

Abolish Article 534 from the Lebanese penal code. Article 534 compromises the safety and protection of LGBTQ individuals and groups by subjecting them to physical, psychological, and economic harm.

Combat

Combat

POLICY PRIORITY 11.2

EMPOWER WOMEN AND ENCOURAGE PARTICIPATION

Main Challenges

- *Build professional capacities of women*
- *Provide opportunities for women to increase technical and life skills*
- *Implement programs that promote economic reform and empowerment*

Proposed Measures

Measure 11.2.1

Put in place systems to provide women with a path to 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 GBV. Protect and encourage structural and societal changes to make this possible.

Measure 11.2.2

Introduce capacity building and code of conduct measures to train judges, lawyers, and journalists/media personnel on gender and GBV issues, international conventions, and cultural discrimination.

Measure 11.2.3

Offer specialized training/soft skills building to women to foster their competitive employability opportunities in the labor market.

POLICY PRIORITY 11.3

INCREASE THE NUMBER OF WOMEN IN LEADERSHIP ROLES

Main Challenges

- *Remove social barriers that prevent women from accessing leadership roles in their homes and the public and private sector*
- *Ensure women are not discriminated against in political and business appointments*

Proposed Measures

Measure 11.3.1

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.

Measure 11.3.2

Ensure political appointments are merit-based, and that women are not excluded from being considered for these roles on the basis of sex.

Measure 11.3.3

Encourage the private sector to appoint women to senior posts by increasing awareness of women's equal leadership capabilities through public awareness campaigns.

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Combat

Agenda Priority 11

COMBAT POVERTY

Targets to eradicate extreme poverty and hunger were ranked as goal number one when the global community adopted the Millennium Development Goals (MDGs), at the United Nations, in the September 2000 Millennium Declaration. Accomplishments toward poverty eradication—such as the reduction of extreme poverty rates by more than half when comparing 2015 to 1990, and the reduction of undernourishment by almost half in the same period—encouraged UN member states to declare ending poverty “in all its forms everywhere” as Sustainable Development Goal 1 (SDG 1) in September 2015. Poverty data in Lebanon is insufficient but a high increase in incidents of poverty have been predicted for 2020 (post the mid-October 2019 economic crisis). The 2018 SDG progress evaluation report notes, “While extreme poverty has eased considerably since 1990, pockets of the worst forms of poverty persist. Ending poverty requires universal social protection systems aimed at safeguarding all individuals throughout the life cycle. It also requires targeted measures to reduce vulnerability to disasters and to address specific underserved geographic areas within each country.” While other agendas pushed by special interest groups in politics, business, or civil society may be controversial in the national debates of many countries, the validity and urgency of SDG 1 is undisputed by the global community. Lebanon is generally understood as needing to make more progress toward the implementation of SDG 1 by the SDG target year, 2030. Due to fiscal, monetary, or political constraints, successive Lebanese governments have failed to devise a comprehensive social safety net plan, dumping most of the workload on 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 on human and social development in its Ministerial Declaration, with clearly defined objectives and concrete proposals, as well as timelines for poverty reduction. The exploration and expansion of poverty reduction efforts on the national level deserve the attention of political stakeholders, civil servants, and elected officials, but also need support from religious institutions (as the traditional providers of poverty alleviation in Lebanese communities), wider civil society (including charitable and humanitarian non-governmental organizations), and private sector individuals and institutions (from schools and microfinance institutions, to manufacturers and banks). The years since the adoption of the MDGs and SDGs have witnessed increasing participation of private sector businesses, with the rise of corporate citizenship or corporate social responsibility (CSR). This commitment of the private sector needs to be maintained even as the economic restraints of a contraction in GDP are anticipated for 2020. Evaluation, encouragement, and further development of public and private sector efforts toward the achievement of SDG 1 must be integral to the process of designing any plan for the Lebanese economy.

POLICY PRIORITY 12.1

TARGET AND SUPPORT THE EXTREME POOR AND THE DISADVANTAGED

Main Challenges

- *Address the lack of a poverty eradication strategy for Lebanon*
- *Modernize the legislative framework*
- *Protect vulnerable population groups against modern slavery*

Proposed Measures

★ Measure 12.1.1

Rapidly advance development of the National Social Protection Policy.

★ Measure 12.1.2

Immediately expand coverage and effectiveness of existing social safety nets such as the National Poverty Targeting Programme.

★ Measure 12.1.3

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

Measure 12.1.4

Create/empower a poverty eradication task force that links together members of Parliament and parliamentary committees whose purviews include working on populations that are vulnerable to poverty (e.g., women and children, displaced and refugees, disabled or aged persons, and all those in need of medical support).

Measure 12.1.5

Legislate, adopt, and finance, with the collaboration of the development partners, Office of the Prime Minister, the Central Administration of Statistics, and the Ministry of Social Affairs, direct support schemes for the poor in all categories mentioned in Measure 12.1.4.

Measure 12.1.6

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

★ Measure 12.1.7

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

Combat

Agenda Priority 12

Measure 12.1.8

Align legal and operational frameworks for poverty eradication with frameworks for labor (Agenda Priority 17) and health strategy (Agenda Priority 7).

Measure 12.1.9

Develop contingency and emergency response plans for economically induced shortages in food, shelter, medical services, etc.

POLICY PRIORITY 12.2

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

Main Challenges

- Ensure safety nets exist for those below the poverty line
- Expand and modernize existing rudimentary social security
- Upgrade safety nets for dealing with poverty in old age
- Implement targeted support schemes and microfinance
- Improve NGO financing legislation to ease ability to donate

Proposed Measures

Measure 12.2.1

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

Measure 12.2.2

Improve economic mobility by targeting and enabling financial inclusion and by providing incentives to the poor to enroll in nano and microfinance schemes.

Measure 12.2.3

Incentivize organizations in the microfinance institutions sector to further extend their reach, including building on updated regulations and the increased financing options made possible by 2018 circulars from Banque du Liban (BDL), Lebanon's central bank. Incentivize use of digital tools, such as mobile applications, in the provision of services of microcredit, microsavings, and microinsurance.

Measure 12.2.4

Make corporate and personal donations tax deductible for those who donate to qualifying public utility organizations, charities, and NGOs.

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COMBAT CORRUPTION

Corruption—defined in this case 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 perceived as pervasive. Meanwhile, international research into corruption indicates that grand and petty corruption—meaning incidents involving large spending measures on a national and sub-national level as well as citizens’ inability to obtain services without “greasing the wheels” when dealing with public servants—can significantly distort economic performances at the national as well as individual level. Citizens and political leaders have long been emphasizing that something must be done in Lebanon to curb these forms of corruption. Despite many years of complaints from citizens and lipservice from politicians, up until the fourth quarter of 2019 very little was done to achieve concrete progress in this regard, let alone engage in serious dialogue on wider issues of corruption such as nepotism and communal favoritisms. Instead, corruption has been discounted in public discourse as someone else’s vice. When public figures were confronted with evidence implicating them, the standard response was political manipulation against the backdrop of prevalent public complacency (“Everybody else is doing it!”). This chronic lack of self-reflection and systemic inaction was enabled by a combination of factors, all of which have in 2019 been challenged by the Lebanese polity. Instead of serious legal loopholes, persistent institutional failures, blatant political interference, and the systemic exploitation of confessional and regional identities, the seachange of the civil protests in Lebanon at the end of 2019 has done its utmost to destroy the state of impunity that fueled corruption and sent the wrong message to Lebanese society and the world at large. After baby steps in the right direction of reducing corruption in the past two years before the *thawra* (revolution), new anti-corruption forces have come into existence and the pursuance of decisive measures in the fight against corruption has become possible. Steps that include the passage of 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 need to be empowered so that they can induce a tangible change for Lebanon. Barriers that still hinder the combat against corruption, such as the country’s poor law enforcement, and the fact that the national strategy has not been formally adopted, or provided with the necessary financial and human resources, are now in closer reach and can be challenged decisively.

Combat

Agenda Priority 13

POLICY PRIORITY 13.1

PROMOTE AND INCREASE TRANSPARENCY

Main Challenges

- Increase ease of access to information
- Uphold international agreements against corruption
- Modernize legislation on the declaration of wealth

Proposed Measures

★ **Measure 13.1.1**

Support and regularly monitor compliance with Law 28 (2017) on access to information, including the appointment and training of information officers in all administrations and the publication of all information required by the law.

Measure 13.1.2

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 13.1.3**

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

Measure 13.1.4

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. Submit the report to the public.

POLICY PRIORITY 13.2

STRENGTHEN LEGAL AND JUDICIAL ANTI-CORRUPTION FRAMEWORKS

Main Challenges

- Define crimes and sanctions for specific forms of corruption
- Revise banking secrecy rules
- Improve alignment of government procurement, tendering, and project awarding processes with anti-corruption priorities
- Increase punishments for those who are caught in corrupt behavior

Proposed Measures

★ **Measure 13.2.1**

Amend Law No. 154 (2009) on anti-illicit enrichment to introduce a proper definition of crimes such as graft, grand theft by public officials, embezzlement, influence peddling, and other variants of political corruption, in line with the UN Convention against Corruption, and legislate adequate sanctions and judicial prosecution and enforcement mechanisms, while also eliminating barriers for triggering and conducting related investigations.

★ **Measure 13.2.2**

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

Measure 13.2.3

Finalize and adopt the law on conflict of interest, including the establishment of a national committee that reviews existing and proposed legislation and sets limits and regulations of potential conflicts of interests.

Measure 13.2.4

Make all requests for proposals and tendering processes related to projects and contracts transparent to the public; they should include the clauses of the final contract to be signed.

★ **Measure 13.2.5**

Speed up the implementation of Law 83 (2018) on whistleblower protection and adopt the needed regulations and complementary legislation to bring it into force, including the establishment of a national anti-corruption agency.

★ **Measure 13.2.6**

Amend laws and regulations that will help to combat the petty corruption of civil servants and municipal officials, and improve protection and verification of whistleblowers who expose instances of petty corruption.

Measure 13.2.7

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 13.2.8

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 through CEDRE.

Measure 13.2.9

Legislate links between serious corruption convictions and restrictions on convicted persons or judicial persons in their ability to hold positions of public office, participate in government procurement, or bid for governmental and PPP contracts and projects.

Combat

Agenda Priority 13

POLICY PRIORITY 13.3

IMPROVE INSTITUTIONAL AND SOCIETAL RESILIENCE AGAINST CORRUPTION

Main Challenges

- *Improve institutional control mechanisms in the fight against corruption*
- *Enhance integrity of public and private sectors*
- *Create anti-corruption interface tools between the public and private sectors*

Proposed Measures

✦ **Measure 13.3.1**

Maintain existing anti-money laundering (AML) policy at Banque du Liban (BDL), Lebanon's central bank, and introduce a random investigation mechanism of accounts and transactions.

Measure 13.3.2

Provide the Central Inspection Bureau and the Audit Bureau with IT 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 13.3.3

Set up an independent national corporate governance program for private sector companies. This program should be aligned with international best practices and incentivize those corporations that adopt and adhere thereto.

Measure 13.3.4

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

✦ **Measure 13.3.5**

Launch a program that educates adult citizens on methods to identify corruption, whistleblower responsibilities and protections, and channels for raising corruption concerns. Develop new channels through which citizens can alert judicial and administrative authorities to suspected incidents of corruption, and empower forums and mechanisms where anti-corruption organizations in civil society can advise citizens and take corruption-fighting actions in their support.

Measure 13.3.6

In educational institutions, from schools to tertiary education providers, strengthen curricula and programs that range from awareness building on the negative social impacts of corruption in civil education curricula to dedicated programs to train students to become experts in compliance with anti-corruption and governance mechanisms.

Measure 13.3.7

Implement and empower programs and forums to incentivize citizens who demonstrably practice behavior indicating civil integrity—challenging or counteracting incidents of petty corruption and societal corruption in their community, for instance—and institute programs that further encourage and reward exemplary behaviors.

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COMBAT POLLUTION

Pollution in Lebanon is pervasive. The air and water are contaminated and noise levels are high as a result of heavy traffic, reckless driving, and unregulated noise levels for bars and clubs. 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, the likelihood of developing asthma or allergies is increasing.

Car emissions, in particular from red diesel-powered vehicles, are a primary source of pollution, despite a law prohibiting this diesel's 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 had negative impacts on 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. Even though Lebanon is not a country with highly polluting industrial activities or resource extraction as bases of the economy, the lack of environmental protections against illegal industrial practices, quarrying, construction, and real estate development activities has exacerbated the country's trouble with maintaining minimal environmental integrity and quality of life for its population. The degradation of environmental integrity, the violation of common sense and legal standards on environmental preservation and industrial pollution, the impunity of many individual and corporate violators, and the excessive overuse or profit-seeking impairment of scarce natural resources—such as intact forests and small ecosystems—have contributed to increasing direct and indirect costs to the Lebanese population. These costs can be seen in the proliferation of chronic medical conditions, such as cancers and respiratory diseases, and in negatively impacted economic activities, such as tourism.

Over the last 25 years, Lebanon's environment has suffered rapid degradation—from the seashore to the mountain top—as well as the destruction of many symbols of Lebanese heritage. It is ironic when one considers that, in many ways, Lebanese citizens and companies, blinded by easy money, share the blame with the politicians and government entities that fail to punish those who violate environmental protection regulations. The number of traditional homes and buildings in major cities is dwindling. In fact, neighborhoods are being erased and replaced by vertical structures, and there are few public spaces in the capital. Lebanon's environment is, put plainly, in a catastrophic state, and partial or ad hoc measures to change this trajectory will not suffice. The government must declare the state of the environment a national emergency, and devise, adopt, and enforce relevant legislation. Public and private stakeholders need to stand united in the fight against pollution.

Combat

Agenda Priority 14

POLICY PRIORITY 14.1

COMBAT AIR AND WATER POLLUTION

Main Challenges

- *Nudge, incentivize, and penalize citizens and households to encourage a shift from polluting to virtuous environmental behaviors in their daily lives*
- *Improve and enforce corporate and micro, small and medium-sized enterprises' behaviors that comply with existing legislation and international standards*

Proposed Measures

Measure 14.1.1

Adopt and enforce legislation regulating acceptable fuels for use in vehicles, and introduce incentives for adoption of less polluting vehicles.

Measure 14.1.2

Incentivize the purchase of eco-friendly cars and penalize usage of highly polluting or energy-inefficient vehicles, through means ranging from technical requirements and inspections to taxation tools.

Measure 14.1.3

Incentivize households to reduce consumption of fossil fuels and use low-energy devices and/or alternative power in heating, air conditioning, and personal mobility.

Measure 14.1.4

Take efforts to minimize household waste through cost-recovering waste collection fees and by introducing financial incentives and campaigns that encourage sorting at source and recycling. Encourage customers to use reusable eco-friendly bags in supermarkets. Impose a green tax (a small fee) on usage of plastic bags in supermarkets and other retail outlets, and place a tax on elaborate and wasteful packaging.

Measure 14.1.5

Adopt legal codes setting specific and adequate standards for limiting and regulating emissions and solid waste generation across all industries.

Measure 14.1.6

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

Measure 14.1.7

Apply and update real estate development rules and municipal building and zoning codes to better reflect environmental preservation and cultural heritage preservation. Enforce development regulations and real estate codes across Lebanon.

Measure 14.1.8

Require industrial producers to be located in licensed industrial zones that are equipped for the treatment of pollutants generated by the occupants.

Measure 14.1.9

Legislate and supervise the mandatory treatment of industrial waste, including solid waste, effluents, and aerial emissions. Prescribe new methods of proper collection and treatment, and penalize industrial violators with harsh and escalating punishments, ranging from fines to company closures and the imprisonment of noncompliant business owners and managers.

Measure 14.1.10

Legislate and implement workable waste treatment schemes, end the dumping of waste in the sea, and enforce compliance with Lebanon's international obligations. Develop waste management solutions based on the reduce, reuse, and recycle principle, and develop sanitary landfills for non-recyclable waste.

POLICY PRIORITY 14.2
COMBAT NOISE POLLUTION

Main Challenges

- *Regulate admissible noise levels for noise emitters*
- *Enforce prohibition of fireworks outside of regulated usage*

Proposed Measures
Measure 14.2.1

Introduce legislation regulating noise emissions from nightlife, private households, garden parties, and other events that typically have a high noise level.

Measure 14.2.2

Legislate permissible noise emission levels and, if applicable, times for operation of construction machinery and water pumps in residential zones.

Measure 14.2.3

Enforce noise limits on motor vehicles and make the modification of vehicles with noise-increasing devices illegal if those devices generate noise above set decibel limits.

Measure 14.2.4

Enforce the prohibition of fireworks outside of preset periods and special exemptions for social events. Limit the sale of fireworks to adults and ban the risky use of fireworks by children. Penalize the unauthorized use of fireworks by households or event organizers and mandate municipal supervision and operation of fireworks in urban centers and in residential areas.

Measure 14.2.5

Set up municipal hotlines for complaints against all kinds of noise pollution.

Measure 14.2.6

Train (and raise awareness) of police officers on noise pollution regulations and issue fines to violators.

Combat

Agenda Priority 14

Main Challenges

- Revitalize existing public spaces and create new ones
- Preserve green parks and forestry
- Encourage municipalities to introduce recycling programs

POLICY PRIORITY 14.3

STOP ENVIRONMENTAL DEGRADATION AND PROMOTE GREEN LEBANON

Proposed Measures

✳ **Measure 14.3.1**

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

Measure 14.3.2

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

Measure 14.3.3

Provide incentives (tax credit) to households and private sector entities that recycle, and to municipalities that introduce recycling plants or recycling programs.

Measure 14.3.4

Enforce laws protecting historic buildings and natural sites (e.g., certain neighborhoods in Beirut, or the natural rock formations in the Keserwan-Faitroun mountains), and introduce more barriers against the demolition of historic buildings and natural sites.

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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 important to Lebanon and other developing countries, has been put on hold by developed countries, starting with the EU and more so by the imposition of trade wars in 2019.

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, as part of the Doha round of trade negotiations. The WTO can be seen as 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. 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 require major reforms and efforts to upgrade and improve efficiencies that are inherently costly, especially to sheltered sectors or firms hidden behind protectionist measures.

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-sized enterprises (MSMEs), any long-term plan to promote economic growth must target MSMEs 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 competitive edge in Lebanon are many. A rise in the price of petroleum is a persistent danger as long as the country depends wholly on oil and gas importation. However, the liquidity problems experienced by Lebanese importers in context of pressure on the lira-dollar peg have taken center stage in 2019. As lira devaluation implies more expensive imports (inputs), the high cost of services (telephones, power, transport, etc.) coupled with an uncompetitive internal market translate into economic inefficiencies and, therefore, above-market prices. All these factors, and others, increase the burden on producers. In addition to revised monetary policies such as a switch to a crawling peg, remedies for decreasing producer costs lie mainly in major structural reforms, such as introducing competition or improving access to capital for MSMEs. Importation tariffs and import substitution incentives appear to be mandated in order to reduce trade imbalances in the short to medium term. However, competitiveness needs to be developed in ways that are compatible with the international obligations and trade agreements that have been signed by the Lebanese state and able to avoid pockets of inefficient economic production. In the long term, protectionism and other state measures to shelter domestic producers must be studied, wielded very cautiously and limited in size and duration, lest they will cause more harm than good.

Develop

Agenda Priority 15

POLICY PRIORITY 15.1

MAINTAIN A FREE AND FAIR TRADE POLICY

Main Challenges

- Reassess trade policy, domestic and international
- Negotiate new agreements
- Improve interaction with the European Union

Proposed Measures

Measure 15.1.1

Set up a new inter-ministerial and sectoral committee, under the leadership of the Ministry of Economy and Trade, to reassess and negotiate bilateral trade agreements and examine protective tariffs that were instituted in 2019 as well as tariffs that entered into discussion in the last quarter of 2019.

Measure 15.1.2

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 15.1.3

Establish an EU unit that is linked directly to the Office of the Prime Minister and includes representatives of all relevant ministries. Mandate this EU unit to strengthen cooperation, stressing issues such as market access, transfer of know-how, and regional infrastructure networking (e.g., electrical, maritime, etc.).

POLICY PRIORITY 15.2

UPGRADE THE COMPETITIVENESS OF THE NATIONAL ECONOMY

Main Challenges

- Establish committee to improve competitiveness and enhance new comparative advantages of exports
- Reduce manufacturing costs
- Ease access to markets (e.g., port, airport, etc.)
- Create the national board for competitiveness
- Identify and develop new niche markets
- Conduct foreign market research and promote exports

Proposed Measures

Measure 15.2.1

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

Measure 15.2.2

Seek to maximize comparative advantages related to changing monetary realities and support export productivity gains through appropriate measures and incentives on the level of manufacturing and agro-industry production.

Measure 15.2.3

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

✦ **Measure 15.2.4**

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 15.2.5

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

Measure 15.2.6

Further revise legislation of exclusive agencies and implement stronger antitrust legislation.

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Develop

Agenda Priority 16

DEVELOP ENTREPRENEURSHIP SUPPORT

Since independence, Lebanon has 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 framework that facilitated investment and encouraged growth, 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, 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 a large number of agents has been marred by corruption, and the government has failed to play its proper role as a visionary and a market regulator.

The Lebanese enterprise environment has been strung between the state's underlying concept of entrepreneurship in a free-market economy and the corruption of the economy into fragmented silos with clientelistic structures under the control of competition-distorting oligopolies.

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

Efforts to reinvigorate the Lebanese entrepreneurship potential—often referred to in reports on the successes of Lebanese migrants and, more recently, in assessments of the involvement of Lebanese individuals in tech entrepreneurship in the emerging digital age—were kickstarted in the 2010s with Circular 331 issued by Banque du Liban (BDL), Lebanon's central bank, which aims to encourage and support the channeling of deposits from commercial banks into knowledge economy ventures by way of venture capital funds and intermediaries. However, by the end of 2019 new limitations to the financing formula under Circular 331 became evident alongside a larger need to review and further upgrade the entire tech entrepreneurship ecosystem. In this context, new impulses for funding, development, and exits in the ecosystem are urgently needed for 2020 and beyond.

For the Lebanese economy to leverage the growing entrepreneurship successes in this ecosystem into wider gains—in the form of job creation, financial growth, capital markets opportunities, and the transition into a digital economy that can compete internationally—sustained efforts need to be further increased to develop knowledge economy capacities, the tech entrepreneurship ecosystem, its financial and legal support systems, and the encouragement of the entrepreneurial spirit of all Lebanese.

POLICY PRIORITY 16.1**PROMOTE INNOVATION AND DIVERSIFICATION****Main Challenges**

- *Further develop the knowledge economy ecosystem*
- *Improve access to financing for new enterprises*
- *Provide support to nascent exporters that incorporate digital technologies*

Proposed Measures**Measure 16.1.1**

Integrate the entrepreneurship vision for Lebanon into the national economic vision and enable capital-guaranteed funding for companies that meet predetermined criteria in line with this vision.

Measure 16.1.2

Develop complementary projects to accompany and eventually succeed BDL 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 provide mentorship and coaching.

Measure 16.1.3

Support increased links among actors in the Lebanese entrepreneurial environment, particularly activate new international funding mechanisms for investment funds based in Beirut, and incubators, chambers of commerce, and growing enterprises nationwide, to enhance cluster development and promote investment in businesses inside and outside Beirut.

Measure 16.1.4

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

Measure 16.1.5

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) to successful graduating companies.

Measure 16.1.6

Provide incentives to first-mover firms with future-oriented technology that export innovative and competitive tradable goods (meaning products or services not previously exported by the firm or from Lebanon).

Develop

Agenda Priority 16

POLICY PRIORITY 16.2

STRENGTHEN LEGAL AND INSTITUTIONAL FRAMEWORKS FOR ENTREPRENEURSHIP

Main Challenges

- *Invest in research and development*
- *Strengthen intellectual property protections*

Proposed Measures

Measure 16.2.1

Provide fiscal incentives to firms that allocate budgets for research and development (R&D).

Measure 16.2.2

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

Measure 16.2.3

Facilitate broader reforms in the judicial and legal systems (bankruptcy law, private equity and venture capital law, employee stock ownership plans, etc.), and continued education programs for lawyers on investor protections.

Measure 16.2.4

Enforce intellectual property protection through better laws and regulations.

POLICY PRIORITY 16.3

WIDEN ECONOMIC REACH OF MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES

Main Challenges

- *Extend nascent support frameworks for MSMEs*
- *Link startups and MSMEs to diaspora investors*
- *Provide incentives for participants of microfinance institutions*

Proposed Measures

Measure 16.3.1

Develop various schemes in support of MSMEs, such as revolving and guaranteed funds that build on existing schemes such as the Kafalat and IM Capital equity guarantee scheme and potentially incorporate new schemes.

Measure 16.3.2

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 16.3.3

Facilitate access to advisory services, such as strategic and financial planning for MSMEs. Legislate dedicated channels where MSMEs can bid for public procurement opportunities and public project tenders.

✦ **Measure 16.3.4**

Integrate entrepreneurship and diaspora energy flows by activating diaspora channels for international market access, and transfer of knowledge through mentorship or coaching. Prioritize linkage of resources between diaspora and local entrepreneurs on levels of investment and financing.

Measure 16.3.5

Continue capacity building with Lebanese customs authorities to increase transparency and efficiency of customs processes and reduce barriers that hinder growth of MSMEs.

Measure 16.3.6

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

Measure 16.3.7

Create a special legal form and structure for social enterprises. Introduce a means for the incorporation of not-for-profit and social enterprises.

Measure 16.3.8

Subsidize programs and nonprofit cooperatives aimed at consolidating small farmer communities and boosting their productivity.

Measure 16.3.9

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

Measure 16.3.10

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

Agenda Priority 17

DEVELOP LABOR

Labor, described by economic historian Karl Polanyi in 1944 as a “fictitious commodity,” is the lynchpin of any economy. As human capital is bound up in questions of justice, prosperity, dignity, and national identity, the issue of labor intersects with many of the agenda and policy priorities in this Economic Roadmap.

According to a recent international assessment of holistic wealth by the World Bank, human capital constitutes Lebanon’s biggest wealth-generator. However, estimates of the size and composition of the Lebanese labor market remain uncertain due to the lack of watertight data. Likewise, labor policy, as well as projections of future Lebanese labor realities, needs, and opportunities—in the context of rapidly evolving global digitization, or the digital transformation of economies—leaves much to be desired. This makes it crucial to develop our human capital and preparedness for the labor uncertainties of coming decades.

To understand already predictable risks, shore up responsive capabilities to unpredictable elements, and enhance the supply of work, Lebanon needs to develop its knowledge base on labor issues in the 2020s in order to maximize creation of sustainable jobs and minimize losses to digital destruction of work. It may be best served in this by measuring the labor force participation rate, and the gap between actual participation and potential participation. The last official measurement of Lebanon’s unemployment rate, in 2007, settled on 9.7 percent. However, the International Labour Organization (ILO) modelled unemployment at just under 7 percent in 2018, and unemployment for Lebanese youth (which the ILO defines as those between 15 and 24), is estimated at almost 18 percent. Total labor participation by Lebanese nationals older than 15, the portion that is defined as being economically active, stood at 47 percent, with the number of people in the labor force just above 2.2 million in 2018.

A labor issue with additional data uncertainty and many troubling implications is the presence of exploitation and the very poor integration of temporary foreign labor (which is linked to voluntary and involuntary migrations). Among the nearly 1 million UNHCR-registered Syrian refugees, according to the Lebanon Crisis Response Plan 2017 (LCRP), an estimated 36 percent were unemployed. Meanwhile, the count of non-nationals employed as “domestic workers” (providing services to Lebanese households) was estimated in a 2018 study by Human Rights Watch at 250,000 persons. Although some limited coverage of the social insurance needs of domestic workers is mandated under Lebanese law, domestic workers do not have access to labor law protections and many social safety nets.

Determinants of current and future labor markets and processes—such as labor unionization, collective bargaining, regulation of specific labor market admissions, evolution of social insurance in reflection of social and human conditions (such as increasing longevity)—are in need of new assessment. This assessment must be completed before it is possible to develop a new national labor policy. Such a policy, however, must be devised and function as the cornerstone of the sustainable future of Lebanese labor, as much of the existing regulatory framework governing Lebanon’s labor-related social insurance system is radically outdated. Against the background of job losses and company closures in the weakening Lebanese economy at the end of 2019, new urgency has emerged to improve the labor market organization as well as social safety nets and relevant institutions. The framework for the National Social Security Fund (NSSF) and other retirement benefits date to the 1960s and are inadequate for managing today’s radically different and rapidly changing role of human capital.

POLICY PRIORITY 17.1**ESTABLISH IMMEDIATE MEASURES FOR LABOR INFLUX****Main Challenges**

- *Take measures to quantify the labor pool*
- *Provide incentives for local job creation in the context of planned public-private partnerships and infrastructure projects with international financing and corporate involvement*
- *Design and extend incentives for job creation by Lebanese entrepreneurs returning from abroad*
- *Increase diversity and productivity of expatriate and diaspora entrepreneurship and job creation ventures, and ease integration of qualified foreign labor into Lebanese enterprises*

Proposed Measures**★ Measure 17.1.1**

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

Measure 17.1.2

Qualify and quantify the labor pool as well as its social development levels, and match it with available demand for labor and with the planned public works projects under the expected CEDRE frameworks.

Measure 17.1.3

Develop a participatory framework involving ministries for approved employment programs. Expand the diversity of the qualified labor pool and enhance the development of local business establishments by revising the regulations for foreign labor participation in Lebanese enterprises, and provide preferential treatment to entrepreneurs and qualified returnees with Lebanese roots by approving foreign licenses, degrees, and other specialist qualifications.

POLICY PRIORITY 17.2**STRENGTHEN WORKERS' RIGHTS****Main Challenges**

- *Define the role of labor unions*
- *Modernize labor laws*
- *Improve work-related social insurance reach and coverage*

Proposed Measures**Measure 17.2.1**

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

Measure 17.2.2

Develop and fund training and development programs to provide new skills to the unemployed, and all whose jobs have been made redundant by technological developments.

Measure 17.2.3

Amend the Lebanese labor law to include all foreign workers, unifying the rules for local and foreign workers, thereby integrating current special rules applied to migrant workers into the labor law. This will include access to registration and ability to receive compensation from the NSSF.

Measure 17.2.4

Review and, if necessary, revise financial inputs to, and benefits packages of, work-related social insurance systems.

Measure 17.2.5

Legislate provisions on the rights of workers to continual on the job training and incentivize employers to provide this.

Develop

Agenda Priority 18

DEVELOP DIASPORA OUTREACH AND INTERACTION

Each year Lebanon consistently produces more university graduates and workers than its economy can absorb. Together with cultural and political factors, the lack of opportunities at home has pushed Lebanese to migrate abroad for over a century. These outflows and migrations to countries in Europe, Western Asia, the Americas, Africa, and Oceania have translated into a huge diaspora—Lebanon has one of the world’s highest ratios of expatriates to residents.

Since the end of the Lebanese civil war in 1990, the attraction and integration of the diaspora’s human capital financial energies was a—sometimes informal and sometimes more formal—political paradigm aimed at boosting economic development.

One element the state must work to ameliorate is the current inability of the public and private sectors to provide adequate job and career opportunities to highly qualified graduates of tertiary academic institutions. This brain drain has been a concern over the past 25 years and remains one, as the country is unlikely to generate enough career options for highly qualified graduates in the foreseeable future. However, while the state may be unable to completely stop emigration, it ought to develop the means—through designing policies and engineering institutional capacities—to make inroads toward helping more Lebanese find jobs in their homeland. While such efforts would likely be futile as standalone political or fiscal initiatives, they could generate multiple benefits if done in conjunction with improvements in Lebanese competitiveness and strengthening heritage preservation and increasing national identity appreciation (see Agenda Priorities 15 and 19 in this Economic Roadmap).

Furthermore, one must not overlook the complexities that come with trying to engage a large diaspora that collectively holds considerable (indeed, potentially vast but so far unquantified) amounts of financial wealth, human capital, and entrepreneurial energies. The economic and social impacts, or embedded upside and downside risks, of the imbalance between the national and expatriate population groups seem to be not sufficiently understood. Downsides of the strength of the diaspora, according to research by economists at the World Bank, are suspected to include factors such as a “remittance curse,” whereby (data suggests) remittance inflows are not necessarily translated into investments, as they are predominantly channeled into consumption. Another repercussion of the Lebanese economy’s dependence on remittances potentially relates to the distortive impact on the relation of tradable to non-tradable goods and services—such distortion emerged in 20th century research as the “Dutch disease.”

Policy-makers and influencers must, therefore, focus on developing means to reduce the brain drain, as well as policies to improve the utilization of remittances and generally redirect capital inflows from fueling unproductive consumption and asset inflation toward providing development capital that creates high-skilled jobs. It has been established in the past 25 years that the financial inflows from and links to the diaspora have been instrumental to Lebanon’s ability to absorb financial shocks. Development needs in the efforts to reach out to, and maintain relations with, the diaspora extend far beyond the issues of financial inflows, remittances, and the construction of villas in the ancestral villages of diaspora members. Opportunities in diaspora relations that are worthy of exploration and development

include accessing the human capital pool as well as attracting technology transfers. Government policies are needed to enhance connections between the diaspora and the homeland and to capture them in the formal economy. Relying on emotional appeals of love for the homeland and long-distance patriotism have not been enough to convince Lebanese diaspora members of the opportunities they could enjoy in Lebanon. Diaspora outreach and relations, therefore, represent an underutilized opening to widen the economic reach of Lebanon in ways that could augment the Lebanese economic sphere beyond its geographical confines and balance the country's internal and external political risks.

POLICY PRIORITY 18.1

CAPITALIZE ON DIASPORA RESOURCES

Main Challenges

- *Develop a registration protocol and conduct a census*
- *Incentivize and attract diaspora tourism*
- *Optimize existing outreach channels and increase the strength of diaspora network*
- *Incentivize the use of remittances to fund sustainable investment projects*
- *Promote opportunities for diaspora investors to develop export-oriented ventures in Lebanon and make efforts to rebuild trust lost during the financial crisis in the second half of 2019*

Proposed Measures

★ Measure 18.1.1

Clearly define “resident” and “expatriate” and create a census of expatriates.

Measure 18.1.2

Mandate the tourism and economy ministries to develop and implement a strategy to attract diaspora tourism and investment in Lebanon. This should include incentives to visit Lebanon, as well as incentives to invest.

Measure 18.1.3

Involve Lebanese embassies, and especially the economic attaches appointed by the Ministry of Foreign Affairs and Emigrants at 20 major embassies, to more actively disperse information on investment opportunities in Lebanon for diaspora members. Work to mitigate land price increases that deter diaspora members due to their negative impact on housing markets.

Measure 18.1.4

Provide fiscal incentives to universities and centers that link expatriates with Lebanon (e.g., that hire Lebanese expatriates living abroad for short- or long-term contracts and/or offer courses specifically for members of the diaspora).

Measure 18.1.5

Incentivize the channeling of remittances to investment projects in Lebanon by providing tax incentives and exemptions for new and sustainable ventures, such as eco-resorts, and heritage and rural tourism projects, as well as all commercial establishments with high invested remittance amounts that are compliant with national priorities set by the Lebanese government.

Develop

Agenda Priority 18

Measure 18.1.6

Encourage, specifically, diaspora investments into Lebanese startups, through companies such as Berytech and Beirut Digital District.

Measure 18.1.7

Create a database—including a list of supported target markets and a list of legal requirements, such as fees and certifications—for all tradable services and goods that can be exported from Lebanon to regional and international markets.

Measure 18.1.8

Standardize Lebanese products and certification norms in order for goods to readily comply with standards in target countries.

POLICY PRIORITY 18.2

INSTITUTIONALIZE RELATIONS WITH THE DIASPORA

Main Challenges

- Empower diaspora access to e-government services in Lebanon
- Increase support for Lebanese clubs and boost capacities
- Develop outreach campaigns

Proposed Measures

Measure 18.2.1

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

Measure 18.2.2

Remove or reduce red tape at Lebanese ministries bearing in mind the needs of diaspora investors and their desire for transparency, fair pricing, and a reduction of corruption. Develop and simplify procedures that diaspora investors can follow when embarking on an investment process in Lebanon. Empower embassies to provide free and competent legal guidance to potential diaspora investors.

Measure 18.2.3

Build trust among diaspora communities abroad by promoting Lebanon as a safe place for investment, not only by the implementation of administrative incentives (see Measure 18.2.2), but also through soft measures, such as outreach campaigns, sponsorships, and events.

Measure 18.2.4

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

Measure 18.2.5

Incentivize syndicates and professional associations in Lebanon to reach out to diaspora communities when looking for partners, honorary members, or investors. Promote large investment projects such as job-creating real estate ventures and sustainable or heritage-enhancing real estate projects, through targeted discounts for diaspora members.

Measure 18.2.6

Better communicate loans from BDL that are tailored for expatriates (e.g., BDL Housing Loan under Circular 475, and the BDL loan for expatriate investors that is capped at \$15 million).

Measure 18.2.7

Expand collaboration between Lebanese and diaspora organizations in the economy and civil society, while ensuring that links are outside the realm of politics and free from political and sectarian interference.

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Develop

Agenda Priority 19

PRESERVATION OF HERITAGE, CULTURE, AND IDENTITY

Lebanon is globally respected for its cultural history as the homeland of a people who were among humankind's innovators in trade, use of money, and expression of identity through architecture and writing. Cities in the Eastern Mediterranean region may disagree on which can claim to be the world's oldest continually inhabited settlement, but it cannot be denied that urban settlements in this region have histories and identities that are more than deserving of protection and preservation for future study and enjoyment. Until today, however, the Lebanese state has not shown a universal understanding and political will to improve and enforce existing laws on the protection of antique treasures. Nor has the country shown any signs of developing and pursuing a national strategy to preserve our natural and built heritage. In matters of heritage, Lebanon still relies on outdated legislation—Law 166 (1933) issued under the French Mandate. The country's architectural identity is being lost as chaotic real estate developments are pursued for profit motives but in total absence of any vision to preserve heritage clusters and integrate them into a Master Plan for future development. Our natural heritage, including our coast and historical landscapes, are being disfigured.

POLICY PRIORITY 19.1

LEGAL REFORM FOR HERITAGE PRESERVATION

Main Challenges

- *Update the legal code*
- *Create a central plan for preservation*

Proposed Measures

Measure 19.1.1

Issue implementation decrees for Law 37 (2008) on the protection of cultural property.

Measure 19.1.2

Pressure Parliament to revise and pass the law on the preservation of heritage sites and buildings that was approved by the Council of Ministers in October 2017.

Measure 19.1.3

Pressure the Directorate General of Urban Planning to work on a comprehensive updated Master Plan that preserves what is left of our cultural natural and built heritage.

Measure 19.1.4

Pressure the Ministry of Culture and the Directorate General of Antiquities to have a clear stand on the protection of all heritage sites.

