

LEBANON

Lebanon Economic Vision and Capital Investment Plan: “new” path for development?

Arab NGO Network for Development (ANND)

In 2018, Lebanon presented its Voluntary National Review (VNR) at High Level Political Forum (HLPF) creating momentum at national level. Several initiatives, were launched by 2017 on the Sustainable Development Goals (SDGs) and took place during 2018 and 2019, mainly helping raising awareness on the SDGs and the Agenda 2030.

The VNR report has been a good but minor step; for it should be complemented with a systematic and holistic approach at national level, both for implementation and monitoring. Ensuring the inclusivity and independence of the mechanisms established, Lebanon should engage all development actors in an effective and transparent approach in related processes. For 2019 HLPF, Lebanon took no commitments; no VNR will be presented. Nevertheless, national-level implementation, monitoring and evaluation after HLPF should transform momentary interest into wider awareness raising and engagement.

This report looks into the “development approach” promoted by Lebanon, which was clearly reflected at the “Economic Conference for Development through Reforms with the Private sector” (hereinafter CEDRE conference) with the launch of the Capital Investment Plan (CIP) and later in early 2019 with publicizing the “McKinsey Report” that provided a Road map for Lebanon’s vision for economic development. Below sections and analysis on Lebanon’s economic vision and promoting investment can be read through the selected SDGs of the HLPF 2019, particularly Goal 8 and Goal 10.

Amid political deadlock and economic crisis Capital Investment Plan: A way out for Lebanon?

Lebanon has been facing high fiscal deficit (around 10% of GDP) and public debt (around 150 % of GDP). Unemployment level is high, official stats referring to a range of 10 - 15%¹ and the double for youth unemployment. The Syrian crisis has been pointed as the scapegoat for these challenges at various occasions, as well in the 2018 VNR Report presented during the HLPF. Financing Syria-crisis related incremental deficits was considered important in increasing the debt. The economic stagnation was linked to the start of the Syrian crisis as well. The VNR report recognized doubling of unemployment level and worsening poverty rates; but there was also the reference to Syria crisis around these worsening indicators.

Indeed, the Syrian crisis brought and still bring significant challenges for Lebanon but cannot overshadow the negative impacts of the long-implemented economic and social policies as well as the loopholes created by the lack of transparency and accountability. Focusing on rentier economies, delaying redistribution mechanisms to address inequalities, lacking a universal social protection system and with the continuous gap between the

¹ <http://www.cas.gov.lb/index.php/90-english/key-indicators-en/key-indicators-infoslides-en/110-unemployment-rate-en>

education-employment policies Lebanon has been already cultivating negative development outcomes from its policy-choices. Furthermore, it is worth noting that many economic and social experts, and few political parties, drew the attention that this exclusively negative narrative about Syrian refugees does not distinguish between the huge impact of the Syrian crisis/war on the economy and political situation in Lebanon, and the diversified impact of the presence of the Syrian refugees in Lebanon. This latter allowed financial flow of aids to increase, as well as the domestic consumption that produced around 1 -1.5% of GDP growth, and provided a cheap labor force that prevented the bankruptcy of many small businesses.

At this background Lebanon has participated at the CEDRE conference in April 2018 in Paris, France. Lebanon has announced its key objectives towards stabilizing the economy, fostering investment and growth, creating job opportunities, reducing poverty. The CIP, list of projects on transport, water, wastewater, electricity, telecom, culture and industry sectors, was presented². Accordingly, CEDRE has resulted in \$11.8 billion in pledges of financial assistance, out of which \$11 billion are in soft loans. Yet, the development impacts of the CIP and its potential to contribute to achieving SDGs remain vague.

If one looks at the World Bank (WB) assessment on the CIP, he/she would have a positive reading on the CIP. The assessment starts with the very fact that Lebanon's infrastructure quality is among the poorest regionally and globally. The WB then notes that "out of 137 countries, Lebanon ranks 130 in quality of overall infrastructure, with quality of electricity supply at 134, quality of roads at 120 and quality of mobile-cellular telephone subscriptions at 104". Thus, set of projects

listed in various sectors are considered appropriate to help alleviate infrastructural bottlenecks. With regard to employment, growth and inclusion elements, the assessment considers most of the projects in electricity, transportation, culture and industry having a sustainable growth impact as well.

However, there is no direct and automatic link between infrastructural investment and economic development, nor with achieving social justice and equality. The former can increase economic growth, but mere economic growth does not mean that it is inclusive or sustainable, nor it results in achieving poverty elimination or reducing inequalities. It is important to note; that the main player for these projects would remain private sector, for whom interests come prior to rights. Thus, there is even potential negative impacts for people's access and affordability of related services; meaning further inequalities. In addition, considering the corruption level and lack of transparency mechanisms in Lebanon, the investment benefits can remain at the hands of the few while it will increase the debt burden already very high. Lebanon's history when looking at times with economic growth indicators and private sector development reveal that the former points have been the case in the country. An additional point is with regard to most of the projects being "national" in nature overlooking to the structural impediments at various regions of Lebanon that would in turn limit outcomes achieved. Finally, yet importantly, the general aspect of the CIP is that it remains as set of projects in different sectors, but not a holistic and integrated development plan that Lebanon needs. Likewise, projects listed in the abovementioned sectors do not contain social aspects like education, health, social protection and combating poverty that are at the core of achieving sustainable development.

² <http://www.cdr.gov.lb/study/cedre/cedrelist.pdf>

In short, CIP does not provide an alternative vision enhancing value-added productive sectors with high employability, thus it cannot be considered a key tool for achieving sustainable development. It relies heavily on public-private partnerships whose cost is likely to be disguised as public debt and a part of a wider austerity plan. Indeed, alongside the 2019 budget draft law³, there is already an increasing reference of austerity measures targeting wages in the public administration and suggesting additional revenues. The logic behind the draft law is not focusing on just distribution of the burden; if implemented it will have detrimental social impact mainly on workers and the population in general, and may cause social tension, political unrest and crises.

Therefore, whereas the 2018 VNR report was an additional effort to publicize and gain support for the CIP itself, given the lack of concrete vision and objectives, lack of consistency and a clear timeline, interventions and programs the CIP cannot be considered as a plan, nor as a road map for Lebanon.

After CEDRE and CIP publicizing McKinsey Report and the Lebanon Economic Vision

CEDRE took place few weeks before the 2018 parliamentary elections in Lebanon, rather with a rush, considered as well as a coinciding tool for political powers in the country. The conference and the presentation of the CIP was an occasion and an attempt to show to international community and donors, Lebanon's commitment to stabilize its economy and readiness to undertake reforms.

After CEDRE and the elections took place, Lebanon witnessed another political deadlock caused by the delay in the formation of the government. It took around nine months. In light of Lebanon's downwards economic and development indicators, this brought an additional pressure towards any 'planning for development'. Nevertheless, the step for a new vision was taken way before in October 2017, when the Council of Ministers approved the launch of a study aimed at setting a Vision for Lebanon's Economy under the title 'Lebanon's Economic Vision, and ways to achieve it'. This study was completed by a private consultancy firm, McKinsey and made available to public by January 2019: a report of 1274 slides⁴.

Moving from CIP presentation; as a list of projects, this report presented a more detailed look into Lebanon's current economic challenges and future promises. It has acknowledged the vicious economic circle that Lebanon is in and focused on the need to enhance 'productive sectors'. Below listed economic targets are included in the report⁵:

- Lift GDP growth from current (2017) 1% to 6% on average by 2025 i.e. a real GDP at \$80B
- Create ~370,000 new domestic jobs by 2025
- Reduce Unemployment (UE) from current 25% to 8%
- Reduce public debt to GDP: from 145% currently to 110% through "privatization & deficit reduction"
- Reduce the Fiscal deficit from 8% to 3% of GDP

³ <https://www.reuters.com/article/us-lebanon-economy/lebanese-pm-warns-of-catastrophe-without-austerity-idUSKCN1RT10I>

⁴ <https://www.economy.gov.lb/media/11893/20181022-1228full-report-en.pdf>

⁵ <http://blog.blominvestbank.com/wp-content/uploads/2019/02/1274-pages-in-15-pages-The-McKinsey-Report-in-a-Nutshell-2.pdf>

via restrained spending, cut subsidies, fighting corruption, boosting resource-mobilization, improving collection

- Balance of Payments (BOP) surpluses at approx. 10% of GDP by 2025
- Decrease the time limit for passing legislations: from 2+ years to 6months by 2025.

With a quick look: increasing GDP, reducing public debt, creating new jobs and reducing unemployment are long needed moves on behalf of the Lebanese government. However, when it comes to the suggested sectoral orientation and reforms initiatives there are concerns and many unanswered questions.

Whereas since the launch of the report online, efforts have been made to simplify the lengthy report for people's understanding some straightforward analysis can be made as well⁶. First of all; the Economic vision presented in the report and adopted by the Lebanese Government is not an outcome of inclusive, participatory approach. It has been conducted by the private consultancy firm appointed by the government, based on around 200 pre-interviews. Given that one of the key development challenges is the lack of a holistic, integrated and multidimensional development vision, this very only effort presented, lacked 'participatory and inclusive' approach. This limitation hampers its potential to meet the real needs of the people in the country. On the other hand, for issues that multi-stakeholder dialogues are a must (i.e. reforming education system); the report does not include any planning nor action points to ensure it. Questions

remain also on the methodology of the report and data used to assess and propose the solutions due to lack of available and updated data in Lebanon, on many socio-economic indicators.

The report acknowledges the importance of legislative amendments; complementary for each sector (agriculture, industry, tourism, financial services, knowledge economy and diaspora) but does not take into account the lack of political and political deadlocks in Lebanon that result in several legislative changes to be postponed. There is no assurance that Vision's implementation would trigger related legislative amendments⁷. Likewise, inclusion of lessons-learned from other countries is crucial; but the report does not make any assessments on practices promoted from other countries nor promotes adapted measures considering Lebanon's sui generis national context as well as its geopolitics, internal dynamics and composition.

The most important and positive point in McKinsey report is acknowledging the structural economic and financial crisis in Lebanon that was denied during the last decade. However, the report still adopts a partial and sectoral approach directed towards selected economic sectors and macro financial issues. McKinsey suggested enhancing productive sectors as a tool to enlarge economy and create jobs, however, it fails to make the link between this objective with the needed structural changes to enhance productivity and protect certain strategic productive sectors. Moreover, it does not embrace the elements of an integrated development vision. For instance, the

⁶ See for instance <https://www.executive-magazine.com/cover-story/a-play-in-need-of-actors>
<https://en.annahar.com/article/922890-analysis-can-the-mckinsey-report-serve-a-as-a-roadmap-for-change-to-the-lebanese> and
<http://www.arabnews.com/node/1431421/middle-east>

⁷ For instance, a recommendation is towards increasing labor force participation and employment of women to further ignite the economic growth, which has been long within Lebanon's commitments made at human rights monitoring mechanisms like Universal Periodic Review or CEDAW.

social dimension is almost missing, as well as the environmental dimensions. In this regard; it should be also noted that the report was conducted by a private firm and it looks at sectors primarily through efficiency and economic gains lenses. Complementary measures to ensure redistribution of economic gains; rights-based sustainability impact assessments of related sectors are not integrated.

Considering the long history of policies and practices in Lebanon, the current government will not be able to use any potential positive aspects in the plans – although limited – and all needed transformation toward people centered sustainable national development strategy in Lebanon in line with Agenda 2030 until a long-awaited political change will occur.

The SDGs and Agenda 2030: engagement of stakeholders

Lebanon has established a National Committee to “oversee the roll-out of the SDGs and was chaired by the Prime Minister”⁸. During 2018, the National Committee for SDGs played a role in collecting information from ministries and administrations represented in the committee. It met once, creating working groups and conducting consultations with civil society in the regions that served capacity-building. However, the national dialogue between the constituents of the committee did not take place in a manner that allows the drafting of the report on its basis. The committee did not exert sufficient effort to inform the public and civil society of the process and its content before its delivery to the United Nations in its final draft.

On the other hand, the 2018 report adopted a sectoral approach and a fragmented methodology. Instead of

integrating the pillars of sustainable human development, it was limited to addressing each side of development in light of the respective Ministries’ strategies and plans. The National Committee for SDGs should have strived for integrating economic, social, environmental, political, and cultural dimensions of development into the development discourse. In addition, the Committee continues with a tick-box exercise of cross-reading various short-term and targeted strategies/ plans/programs and 17 SDGs. This does not reflect the required national ownership, nor does it provide a step forward to address the lack of an overarching and nationally-owned rights-based sustainable development strategy in consultation with the different stakeholders including CSOs. Furthermore, the report presented at HLPF 2018, reflected a positive picture of achievements, through a selective choice of partial indicators that do not reflect the real challenges. The mere quantitative progress-reporting is partial and selective and ignores the root causes of inequalities and injustices as well as accessibility and affordability of basic services for vulnerable groups. However, the different above-mentioned reports totally contradict this perception.

Whereas, awareness raising initiatives⁹ continued at national level, in 2019; Lebanon hosted the Arab Forum for Sustainable Development (AFSD)¹⁰, the annual high-level regional platform as well. AFSD-19 reviewed global and regional progress on the 2030 Agenda for Sustainable Development, and addressed progress on the five Goals under review in 2019: SDG

⁹ <https://www.globalcompact-lebanon.com/hub/are-you-the-next-sdg-pioneer/>, <https://www.globalcompact-lebanon.com/hub/sustainable-minds-2019/>, <https://www.globalcompact-lebanon.com/library/integrating-the-sustainable-development-goals-into-corporate-reporting-a-practical-guide/>

¹⁰ <http://sdg.iisd.org/news/arab-forum-reviews-sdg-progress-crafts-messages-for-hlpf/>

⁸ <https://sustainabledevelopment.un.org/memberstates/lebanon>

4 (quality education), SDG 8 (decent work and economic growth), SDG 10 (reduced inequalities), SDG 13 (climate action) and SDG 16 (peace, justice and strong institutions). Prior to AFSD 2019, regional platform on the Agenda 2030, composed of regional networks organized the preparatory forum entitled "Stepping Out of the Box"¹¹. Civil society assessment on the Agenda 2030 implementation in the region emphasized the need for unconventional solutions to ensure structural and radical change in development policies and for a comprehensive approach integrating five dimensions of development: economic, social, political, environmental and cultural activities¹².

Although different initiatives and projects were undertaken by civil society on the Agenda 2030 and the SDGs; one of the biggest achievements has been of ABAAD¹³, the Lebanese organization who won the UN SDG Action Award with a national campaign launched that aimed to abolish Article 522 of the Lebanese Penal code.

Conclusion

Starting with the commissioning of McKinsey report and the presentation of the CIP and Lebanon's commitments at CEDRE; main political discourse of Lebanon was on the need for revitalizing the economy, ensuring stability and addressing unemployment through job creation. These processes together with the VNR report presented at HLPPF 2018 when considered as a reference point, show that the new path promoted; does not alter significantly from the already implemented policies. Lebanon, like many of the Arab countries, need to revise its socio-economic policy making and reorient its development priorities in a sustainable way. Priority should be given to address structural problems with aim at enhancing transparency and eradicating corruption, fighting tax evasion and building people centered sustainable development through supporting long-term inclusive growth in the productive sectors. Rather than sporadic project initiatives on different sectors, Lebanon needs to develop comprehensive National Development Plan and revise its social and economic policies to address poverty eradication and ensure generation of decent work opportunities and adopt a universal right-based social protection system for all.

¹¹ <http://www.annd.org/data/file/files/concept%20notes%281%29.pdf>

¹² Read the outcome report (in Arabic) here

http://www.annd.org/data/file/files/Outcome%20document_draft.pdf

¹³ <https://sdgactionawards.org/initiative/1225>