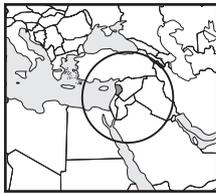


## LEBANON

# The “Paris III Conference” and the reform agenda



Decades of foreign intervention in the sectarian-based political system, together with irrelevant public policies, have led to a deteriorating social and economic situation. Although the Government has recently taken the issue of social and economic reform more seriously, especially after the 2006 Israeli war on Lebanon, the reform plan presented at the recent Paris III donors’ conference has served primarily to integrate the country into the international economy rather than securing the basic socio-economic rights of the Lebanese.

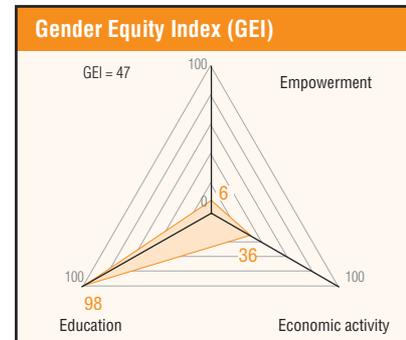
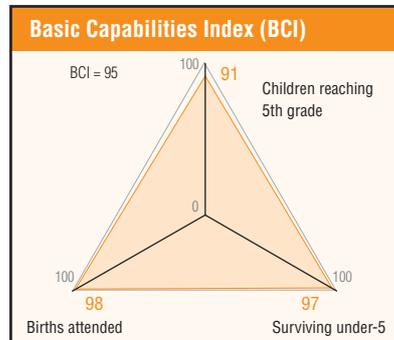
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Following the Israeli war on Lebanon in July-August 2006, which aggravated an already unstable social-political situation and resulted in a large-scale destruction of the country’s infrastructure, the Government presented an early recovery programme at an international donors’ conference in Stockholm, Sweden, securing over USD940 million in pledges. Added to previous pledges, the total was over USD 1.2 billion available for recovery and reconstruction.<sup>2</sup>

Five months later, in January 2007, another donors’ conference was held in Paris, known as “Paris III”, in order to provide support for the country’s post-war reconstruction, secure cash for debt servicing, and cover the budgetary deficit. A programme for social reform, already underway, provided the framework for the Government’s economic reform agenda, designed to reduce volume and rate of debt accumulation and lay the structural and institutional basis for growth.<sup>3</sup>

It should be noted, however, that economic and social rights have been historically marginalized in Lebanon and that challenges for a comprehensive reform process stem not only from the unstable political situation but also from the economic and social policies pursued since the 1990s. These policies not only encourage clientelism, nepotism, favouritism and sectarianism, they also sponsor the different communities’ interests as separate entities, rather than enhancing citizenship by serving the collective good of a nation that treats citizens equally. Missing is the notion of a modern Lebanese state based on citizenship: successive ruling regimes, instead of integrating the different communities through a national strategy for social development, have addressed their demands in a random and selective manner.

Moreover, Lebanon’s situation is no exception in the region, which has become increasingly linked



to and dependent on the international economic system. In a recent comparative study on socio-economic reforms in eight Arab countries (Lebanon, Morocco, Jordan, Bahrain, Tunisia, Sudan, Yemen and Egypt), researcher Salah Eddine Al Jourchi has pointed out that, besides positive managerial and technical reforms – especially in Lebanon, Morocco and Tunisia – there are alarming social, economic and political impacts.<sup>4</sup> In all eight countries, reforms led to rising unemployment, declining state provision of social and economic rights (health, education, and social security), increasing corruption, especially in the public sector, weak and inefficient civil society organizations, erosion of the middle class and increasing dependence on the international economy.

### Lebanon’s economic programme

The economic reform plan presented to Paris III is designed to stimulate growth, create employment, reduce poverty and maintain social and economic stability as well as increase “Lebanon’s role in the free trade system, and speed up the negotiations regarding Lebanon’s accession to the World Trade Organization (WTO).”<sup>5</sup> The programme rests on seven pillars:

- structural reforms to increase productivity, reduce cost, and enhance economic competitiveness;
- social sector reform to improve social indicators and develop social safety nets to protect the most vulnerable segments of the population;

- pension reform;
- phased fiscal adjustment aimed at increasing the primary budget surplus through streamlining expenditures and raising revenues, in ways that minimize the negative impact on the poor;
- a privatization programme designed to increase investment, reduce public debt, and spur economic growth;
- monetary and exchange rate policies to maintain price stability and facilitate credit to the private sector;
- a foreign assistance package to complement domestic adjustment, primarily by reducing debt repayment and creating the confidence needed to encourage private sector investment.<sup>6</sup>

However, increasing growth by promoting competition implies “the integration of Lebanon in the global economic system and the promotion of trade liberalization,” so that economic liberalization becomes ‘a target in itself’.<sup>7</sup> In addition, collaboration with the World Bank and other financial institutions has increased since the 2006 war as Lebanon became more dependent on international financial

1 The author is Democracy Programme Officer at ANND.

2 Eliasson, Jan and Jämtin, Carin, “Chairman’s Summary: Stockholm Conference for Lebanon’s Early Recovery 31 August 2006”: <www.regeringen.se/content/1/c6/06/85/56/02ae2a3c.pdf>.

3 Abou Chacra, Sanaa, “Reform Initiatives in Lebanon”, p. 15. This paper will be published in the framework of ANND’s regional project entitled “Democratic reforms in the Arab region: A focus on socio-economic reforms” in partnership with the UN Democracy Fund (UNDEF).

4 Mr. Al Jourchi, an independent researcher and consultant on reform issues, is also the regional researcher for the ANND’s project mentioned in footnote 3. The regional paper will be published early in 2009.

5 Abou Chacra, *op. cit.*, p. 17.

6 Poverty reduction measures include cash transfers to the poorest households; implementing reforms in various ministries in order to improve efficiency and cost effectiveness; and establishing an inter-ministerial committee for social issues. See: “Recovery, reconstruction, and reform: International conference for support to Lebanon”, Paris, 25 January 2007: <www.finance.gov.lb/NR/rdonlyres/89C37627-828E-4626-9F00-9A64988B4082/0/ParisIIIEngVersion.pdf>.

7 Abdel Samad, Ziad. “Foreign Aid and the National Reform Agenda: The Case of Lebanon”: <www.futureofaid.net/node/330>.

prescriptions and less able to defend its national productive sectors.<sup>8</sup>

The implementation of the reform plan has faced a number of obstacles. On the one hand, rising energy and food prices, and the rise of the euro against the dollar have negatively affected the country, as Europe is Lebanon's number one trade partner and the dollarization rate of the Lebanese economy – based on the World Bank's projections – has reached 76%.<sup>9</sup> On the other hand, the lack of political stability and security, coupled with the paralysis of all the Lebanese institutions since 2006, has led to socio-economic stagnation, while unemployment and immigration have greatly increased and foreign investments are rare. While it is difficult to get a full assessment of the impact of the reform plan, it is possible to identify some important issues and gaps from looking at the view of different stakeholders.

### The Government's perception

In its 5th progress report on the Paris III plan, in March 2008, the Ministry of Finance presented a highly optimistic report, focusing on the achievements during 2006-2007 and the expected gains from structural reforms in the various ministries, including the Ministry of Public Health, the Ministry of Education and Higher Education as well as the National Social Security Fund. On the social front, it mentioned performance gains in social policy and social service delivery, while maintaining fiscal responsibility. It emphasized that the Government had successfully intensified efforts to increase the primary surplus as a result of increased revenues, tight expenditure measures and substantial budget reforms<sup>10</sup> and had pressed forward with reforms in the power, telecommunications and transport sectors.<sup>10</sup>

### The International Monetary Fund perspective

Delegated by the donors to monitor the reform process, the IMF has issued periodic reports, which have emphasized the provision of social safety nets rather than pushing for a comprehensive national development strategy, based on national productive sectors and the creation of employment. These reports have also noted uncertainty regarding the success of these policies due to the political situation and have stressed the need to (1) mobilize domestic support for adjustment and reform by protecting the most vulnerable; (2) align public spending and policy priorities to growth objectives; (3) develop stronger institutional mechanisms to improve control over budgetary outcomes; and (4) generate national unity through subjecting reforms to a transparent national dialogue.<sup>11</sup> The latest IMF report in particular noted the country's fragile situation and the dangers should it deteriorate.

### Civil society and trade union perspectives

Representatives of productive sectors, mainly industrial and farmers' unions, have been very critical of the reform plan, pointing out that the Government's neoliberal approach disregards national productive sectors in favour of international considerations promoted by global institutions, and arguing that since more than 40% of the Lebanese population receives direct or indirect income from agriculture, agriculture should be treated as a "primary strategic sector." The current push towards the "elimination of subsidies on all agricultural products and the reduction of tariffs upon accession [to the WTO]" is a clear double standard, as the EU and the US continue protecting and subsidizing their agricultural sector.<sup>12</sup>

Regarding industry, the 2005 Lebanese Ministry of Industry plan, entitled "Production for the Lebanese Youth 2010", emphasized the lack of coordination between policy-making in Lebanon, and measures that negatively impact the productive sectors, even beyond that necessitated by economic liberalization. Industrialists consistently criticize the Government's embrace of open markets regardless of their impact on the industrial sector. It is worth noting that Lebanese industry was hard hit by the removal of tariffs on most products, including those locally produced, in 2000. While this was expected to give a positive shock to the national economy, increase consumption, and create profits for producers and traders, the lack of coordination between government taxation policy and the productive sector priorities led to its failure, impacting negatively both on employment and on Lebanese consumers.<sup>13</sup>

Civil society organizations (CSOs) have joined farmers and industrialists in their criticism. Indeed, CSOs understand economic reform as part of a comprehensive reform agenda that should aim at improving human development indicators. Their main criticism refers to 1) lack of comprehensive national strategies for the economic, social and cultural sectors, as well as for the political and administrative sectors, coupled with extremely selective initiatives that often aggravate the existing inequalities among communities; and 2) lack of participation by core stakeholders in the formulation of social and economic reform policies and assessment of its impact at the regional and international level. Moreover, the social feature in the reform initiative still lacks a national strategy for social development and remains therefore very general and closer to social safety nets programmes.<sup>14</sup>

### Rights of women

Although Lebanon is committed to achieving all of the MDGs, including Goal 3, gender equality priorities are totally missing in the Paris III reform plan.

Furthermore, gender equality in Lebanon is badly hampered by the country's sustained CEDAW reservations, namely on article 9 paragraph 2 concerning the nationality law, article 16 paragraphs (c), (d), (f), (g) concerning the personal status code and article 29 on arbitration. The CEDAW Committee, in its latest report, noted concern on (1) the "persistence of patriarchal attitudes... and deep-rooted stereotypes reflected in women's educational choices, their situation in the labour market and their low level of participation in political and public life"; (2) "discrimination against women in the area of taxation"; and (3) "the dominance of the private sector and geographical disparity in the delivery of services, preventing access to health care for women and girls from poor and rural areas, as well as disabled women".<sup>15</sup>

Other civil society critics underline that the Paris III reform agenda focuses on the "increased public debt and debt services"<sup>16</sup>; that the "quality of life index in Lebanon, Palestine or Iraq is deteriorating whenever governments surrender to international conditions" claiming to improve their economies; and that the Government has favoured "increasing the gains of the financial sector and its ability to attract more foreign investments", thereby impoverishing "the remaining middle class."<sup>17</sup> To sum up, the Government has disregarded human rights considerations and focused on living up to the process of integration in the global economy and satisfying the economic liberalization agenda.

### The way ahead

The shortcomings of the reform plan are clearly reflected in the rising pessimism, complaints and protests among different social classes, who have been asking for fairer redistribution of wealth by re-considering tax policy and the social service delivery system. In this respect, the frail socio-economic reality may lead to serious social instability and street protests if the new Government fails to engage multiple stakeholders – including civil society, unions, and the private sector – in elaborating a more specific and comprehensive reform plan that focuses on empowering productive sectors. Such a plan needs to move beyond narrow sectarian and economic interests, and take human rights and national priorities as core tools to enable Lebanon to face international challenges and benefit from the regional oil revenue surplus and emerging opportunities in the global economy. ■

8 Abou Chacra, *op. cit.*, p. 18.

9 *Ibid.*, p. 23.

10 "International conference for support to Lebanon-Paris III: 5th Progress Report", *op. cit.*

11 Lebanon-2007 Article IV Consultation, Mission Concluding Statement, May 2007, IMF: <[www.imf.org/external/np/m2007/052807.htm](http://www.imf.org/external/np/m2007/052807.htm)>. See also: Abou Chacra, *op. cit.*, p. 25.

12 "Statement regarding Lebanese WTO Accession File", ANND, April 2007.

13 *Ibid.* See also: "Production for the Lebanese Youth 2010": <[www.industry.gov.lb/Gemayel\\_PDF.pdf](http://www.industry.gov.lb/Gemayel_PDF.pdf)> (Arabic).

14 Abdel Samad, Ziad. "The civil society participation in setting economic policies: An open letter from the executive director of ANND to the Prime Minister", *Al-Akhar*, 9 March 2007.

15 Concluding observations of the Committee on the Elimination of Discrimination against Women, 40th session, January-February 2008.

16 Zbeeb, Mohamad. "The first year after Paris III: Hiding once again behind the political crisis". *Al-Akhar*, 4 February 2007: <[www.al-akhar.com/ar/node/62529](http://www.al-akhar.com/ar/node/62529)>.

17 Zbeeb, Mohamad. "The first year after Paris III: Lebanon forced to apply a program with the World Bank." *Al-Akhar*, 5 February 2007: <[www.al-akhar.com/ar/node/62650](http://www.al-akhar.com/ar/node/62650)>.