

# LEBANON - A NATION FOR ALL

**A Constitutional Republic  
with State Institutions under the Rule of Law**

**Towards a Fair and Affluent Society**



**NAJIB  
MIKATI**

This is my proposed vision for Lebanon to update our social contract, consolidate civil peace and national unity, and spur economic growth so that Lebanon can be a secure, democratic, inclusive and prosperous nation, whose vast human and natural resource endowment can induce significant job creation and shield its youth from forced emigration or unemployment.

I have unbounded confidence that these goals are within our reach if we join forces in a Republic that upholds the principles of the constitution and the rule of law, in a society that values a culture of effort, productivity and citizenry, and where fair and effective state institutions conduct public affairs for the greater good of the community.

Najib Mikati  
*[Signature]*

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## **I - Introduction**

1. This program puts forth a set of public policy reforms and proposals aimed at fostering civil peace, strengthening national unity, furthering social progress and spurring economic growth. It is predicated on the belief that with the right political, legislative, development and social initiatives, Lebanon can be a secure, democratic, inclusive and prosperous nation operating at full economic potential. In such a frame, it will be able to generate employment on a sufficient scale for the youth thronging its labor market, including high value-added jobs for educated professionals and spare them the inexorable fate of emigration. Yet no policy will achieve its objectives if not anchored onto mature state institutions, with organized political groups reflecting the people's will through fair electoral laws and processes allowing peaceful transfer of power, and enlightened national leaders committed to the public good and the rule of law.

2. Despair and despondency almost have prevailed over the hopes and expectations of those in the public arena given the frail and tenuous institutional setting arising from the disregard of constitutional mechanisms, mandates and milestones even at the highest levels, with the presidency of the Republic left vacant for over two years, and a parliamentary body periodically cloned and widely perceived as non-representative. Alien to the Constitution's tenets and principles, major national decisions have become a reserved dominion of a handful of "referee leaders" wielding effective power over, yet unaccountable towards, the people of Lebanon. They have all but stripped the council of ministers of its decision-making authority, and divvy up state sinecures, positions and business among partisans and acolytes. In the collective psyche as in the individual mind this has engrained a culture of dependency, influence peddling and cronyism over the values of effort, productivity and citizenry. This ruinous code of conduct also has permeated

economic behavior with consumption and spending outpacing investment and saving. In this bleak environment, proposals for feasible, long-term solutions to the entrenched problems impeding society's progress remain absent. In fact, the only debate that galvanizes political factions, increasingly split along regional fault lines, is that of "defense strategy", "weapons of the resistance", and conflicts within, across and beyond the borders. These are indeed critical national issues, which over the years have exacted a heavy toll in lives and livelihoods, yet they should not be, forever, the pretext to trivialize vital economic and social problems, and disregard the pressing need to repair failing public institutions and overhaul their governance practice. This is at the very core of the rejuvenation process needed to remedy the country's ills, and is central to people's concerns.

3. Despite overwhelming odds and daunting constraints, Lebanon's salvation is within reach, but calls for structural, legal, regulatory and governance changes to shore up dysfunctional and derelict state institutions crippled by political stalemate, hampered by an unproductive albeit plethoric cadre, and marred by rampant corruption. The dismal institutional reality has deleterious economic effects in terms of drag on growth, "desertification" of society by the steady emigration of educated youth, growing disparity between the Nation's capital and its hinterland, uneven distribution of income, crumbling infrastructure with faltering energy sector, clogged transportation grid, sagging water supply and waste management systems, ineffectual communications network and irreversible environmental degradation. Potentially lethal, the scourge of public debt no longer appears on the radar screen of Lebanese, citizens and officials alike grown accustomed to live with this chronic disease though its underlying effects will in time consume the body. This is all the more perilous in the context of a decade-old breach of a main canon of public policy where governments, unrestrained, incur runaway expenditures in the absence of published budget laws, let alone spending authority. With clear and present internal and regional dangers, Lebanon is in the eye of the storm and needs a national renaissance drive

through policies and actions respectful of the constitution, aimed at unleashing all resources and talents which our nation, land and people, holds idle in its fold – a renaissance built upon the following tenets:

i) Lebanon is a sovereign, free, independent and eternal homeland for all its citizens, one in land, people and institutions (preamble to the Constitution).

(ii) Lebanon is a land of production, innovation, creativity and generosity, not a workshop for the export of talents, skills and young graduates.

(iii) Lebanon is a unified, 10,452 km<sup>2</sup> stretch of land with an integrated economy that can be melded through an efficient transportation network, where a genuine "balanced development" across regions blends all citizens in a cohesive, prosperous society.

(iv) The Lebanese people reject the doctrine of resignation and fatalism in the conduct of public affairs, spurn the concept of "leaders empowered but not accountable", abide by the rule of law and believe in the preeminent role of strong, relevant state institutions, within the frame of the constitution agreed to by all Lebanese.

(v) "Knowledge" is an essential attribute and component of the national economy which is based on prolific human capital, abundant financial resources, and a privileged geographical location where Lebanon can seek to be a regional pole for high value added activities in economic and engineering studies, consultancy, research and development, accounting and auditing, translation, publishing, media and "medical tourism", in addition to the traditional service sectors such as banking, tourism, trade and transportation where its position is well established.

(vi) The public sector has a key, exclusive role in enacting and implementing an effective legal, regulatory and fiscal framework under an independent, unswerving and just judiciary, and fully empowered supervisory authorities.

(vii) The private sector is the driving engine of economic growth and job creation in a system based on competition, free from monopolistic

dominance and the plague of corruption within a framework of transparent laws and regulations enforced by state institutions empowered to ensure market integrity, promote efficiency, and protect consumers and investors alike.

(viii) The public finance situation, with recurrent and worsening deficits, soaring public debt and absence of budgetary frame and control, leaves scant capacity to manage economic and financial shocks, has become a main obstacle to growth, and calls for urgent remedy.

## II - The Main Elements of Economic and Social Policy

### 4. (a) - Lebanon's economic model, resources and challenges.

Throughout its recent history, Lebanon's economic performance has been marred by fragility and conflict. During a generation (1950-1974) in the wake of independence, economic growth averaged 7 percent per year. The 1975 civil war brought immeasurable devastation to the country, and wrought loss on the human capital (fatalities and exile), destruction on the physical capital stock, and dislocation on the state's institutional order that Lebanon is yet to recover from. It was not until 1998, i.e. 25 years later, that economic output returned to its pre-war, 1974 level – truly a “lost generation”, economy-wise! Building on its resilience, seeking to turn the page of civil strife, and hoping to eschew the perils of regional wars, Lebanon needs to achieve high and sustained rates of economic growth, and create high value-added jobs on a scale sufficient to consolidate civil harmony, curb pervasive inequities between social groups and regions, and dent emigration, especially of young professionals. This is all the more critical that Lebanon's economy exhibits low employment-growth elasticity (about 0.2), with rates of job creation (1.1% p.a.) lagging economic output (3.7% p.a.) over the 1997-2009 period. Moreover, the sharp appreciation of the “real effective exchange rate” in the post civil war era – 4.4% p.a. over 1991-2010, by far outstripping any optimistic estimate of productivity gains – has seriously tested Lebanon's export sector competitiveness. Lastly, the need over two and half decades to fund ever growing budget deficits, and thus public debt, has diverted a sizeable share of banking sector deposits to the Treasury bond market. This has crowded out lending for private investments through upward pressure on domestic interest rate levels, as the high base rate offered by Lebanese commercial banks to attract needed deposits, including foreign inflows, is transmitted throughout the economic cycle. Business high borrowing costs increase domestic production expenses and further erode competitiveness. Addressing these challenges requires public policies, which – in addition to putting public finance on a sustainable path – achieve the following:

- (i) Steer the economy towards high value-added activities based on knowledge and innovation, anchored onto Lebanon's vast pool of talent, skills and expertise.

(ii) Increase productivity in sectors where Lebanon holds a comparative advantage and can strengthen its competitive position to become a pivotal regional center allowing the expansion of its market and therefore economy beyond the narrow confines of domestic boundaries.

(iii) Support business schemes and enterprises that broaden prosperity's reach across regions and social strata, reducing thus the incidence of widespread poverty.

The loss of human talent through emigration has long-term potential costs to the economy; it must be curbed so that Lebanon's educated youth can work in the homeland while exporting their output, services as well as goods, in knowledge-related economic sectors – in addition to the traditional products where Lebanon's position is well established. To this end, government should strengthen and support private sector capacity and initiatives through an integrated package of legal, regulatory, institutional and fiscal reforms, aimed at dismantling decades-old structural barriers that have hindered savings, investments and job creation, with incentives as needed to stimulate the labor market as many governments do. In particular, policies should seek to:

(i) Boost capital inflows, especially foreign direct investment with transfer of know-how, in providing a stable and secure business environment for domestic and foreign investors alike.

(ii) Stimulate Lebanese exports which could grow faster than the anemic if not declining rates observed over the recent past, thus reducing soaring current account and trade deficits, and enhancing the balance of payments.

(iii) Promote tourism in adopting effective and modern mechanisms to regain Lebanon's once leading position in traditional travel, while developing our country's potential as a destination for religious, cultural and medical tourism.

**5. (b) - The public sector and the reform process.** The State, ever renewing its social contract, has obligations to meet, firstly homeland integrity, citizen security and social peace. In the economic realm, the state must ensure an enabling legislative and regulatory

environment, a competitive business climate free of collusion and monopoly with appropriate incentives and controls that allow private sector investment across productive, employment generating sectors – agriculture, industry, construction, tourism, trade and other services – without government interference or hindrance. In this regards, priority policies and measures are succinctly reviewed hereafter and later developed on a sector-per-sector basis.

(i) Restore basic budgetary equilibria in curbing runaway public deficits and indebtedness through effective strategies to reduce debt size and improve its management. In line with constitutional requirements, the process begins with preparing and publishing annual budgets.

(ii) Enact legislation and regulations that improve the business climate and spur public and private investments.

(iii) Rehabilitate and upgrade the decaying infrastructure to meet the nation's needs in power supply, transportation, water and sanitation, and information and communications technology, at costs affordable and commensurate with service quality. It is equally crucial to halt environmental degradation and destruction of natural sites from seashores to river basins, mountaintops and valleys, and preserve Lebanon's cultural and architectural legacy.

(iv) Reinforce human development policies and social protection programs in education, health and pension, based on the principle of social cohesion and inter-generation solidarity, and deliver fair services to marginalized and disenfranchised groups. Specific objectives are universal healthcare coverage, and pension reform for private sector workers, as well as dispensing quality education at all learning stages which is a pillar of a knowledge-based economy, while avoiding mismatch of skills with labor market needs.

(v) Implement regional economic and social development policies and programs to create productive opportunities outside the nation's traditional centers – Greater Beirut and Mount Lebanon – where most economic activities are concentrated. This entails the establishment of industrial zones and estates with adequate access to infrastructure, while ensuring the protection of vital agricultural land, a condition for sustainable growth. Such balanced development would also ease demographic and demand pressures on the capital and its suburbs.

All such projects and correlated infrastructure support must fall within the "National Physical Master Plan for the Lebanese Territory," approved by the government in 2009.

(vi) Enact a thorough administrative reform to upgrade the capacity of the civil service and improve the governance and productivity at all levels of public sector institutions, the organization of which must be re-assessed in light of current needs.

### III - Public Finance: Public Debt, Fiscal Policy, Budget Methodology

6. **(a) - Public debt.** Ever ascending nominal public debt has been a permanent drain on state resources, with debt service accounting for over a third of government tax and non-tax revenues and representing the highest budgetary outlay after salaries and compensation of public sector employees. This has crowded out public investments needed to rehabilitate the obsolete infrastructure, and reduced the scope and quality of services provided to citizens (\*). A sustained solution to the debt predicament requires an active and workable strategy beyond the ad-hoc approach so far adopted, with the objective to bring down steadily over the coming years debt to GDP ratio below 100%, from about 140 % today (knowing well that the ratio for the exposure of the whole public sector, including government contingent liabilities, is higher). The strategy should rely on a combination of economic growth inducing policies and fiscal discipline. In particular, curtailing treasury transfers to the national power company (standing once at 5% of GDP) would have a substantial deficit reduction effect in curbing significantly debt growth rate. (In this context, potential inflows from the nation's oil and gas revenues once realized, must be used according to standards that simultaneously achieve development goals, safeguard the rights of both current and future generations from this national wealth, and help reduce public debt.)

*(\*) Note. The spillover of the war in Syria, including massive refugee inflows into Lebanon – Syrian nationals account for over a third of resident Lebanese – creates a burden of unexampled scale, unendurable and unevenly shared within the international community. Besides its national security implications, it has direct and indirect effects on Lebanon's service-based economy highly vulnerable to political risks in terms of fall in investment, loss of employment, and disruption of trade routes. Its costs for both national economy and budget have tested Lebanon's forbearance and dented the capacity of the state, inadequate already, to meet growing demand for services in health, education, water, power, transportation, and law enforcement. The imbalances resulting from a sudden growth in demand for services by over 25% as a result of refugee inflows, with no matching growth in supply, embodies in bare terms the "economic shock" that has detrimental downstream effects*

in eroding output capacity and welfare levels, especially in a country like Lebanon which is yet to recover from its own civil strife, rehabilitate its infrastructure, and rebuild its institutions. The Lebanese authorities, jointly with the World Bank and the United Nations, carried out in 2013 an assessment of the economic and budgetary consequences of the Syrian war. The conclusions of the assessment were sobering even though they only reflected the conditions of a crisis still unfolding. The conflict, it was estimated, would translate yearly: (i) for the overall economy into US\$2.5 billion in foregone gross domestic product (5% of GDP); and (ii) for the budget in a cost of US\$1.7 billion in: direct budgetary outlays associated with service provision to refugees (such as medical care in public hospitals, public schooling for children, and electricity and other subsidies); incremental capital investment needed to maintain access to, and quality of, services (say number of hours of electricity supply a day) at their 2011, pre-crisis levels for 4 million resident nationals and 1.3 million refugees; and shortfall in government revenues resulting from the weaker economy. The social cost of the crisis was no less overwhelming as the massive influx of refugees added in a measurable way to labor supply and put downward pressure on the level of wages, which significantly affects living standards. For Lebanese citizens, this had dire welfare implications in: (i) driving up unemployment rates to nearly double their current levels, particularly among the unskilled in the poorest border regions which by the mere fact of geography harbor the largest number of refugees; and (ii) adding some 20% to the one million Lebanese living in poverty. Such deterioration in the already precarious living conditions wrought upon their region by growing flows of Syrians drive these native disenfranchised categories into internal migration in the pursuit of livelihood, adding to their plight and marginalization. The alarming magnitude of the problem failed to raise in the mind of policy makers and donors alike, the concerns that have now materialized about the sustainability of the policies and program of assistance offered to refugees in light of spiraling costs driven up by ever mounting human inflows. (This critical national, political, security, demographic, economic and social issue is addressed separately outside the scope of this document.)

**7. (b) - Fiscal policy - Principles.** Economic and financial reforms require a re-assessment of fiscal policies with a focus on the effectiveness and fairness of the tax system, as well as its impact on economic growth and employment, and levels of investment, consumption and savings. The rehabilitation of infrastructure and

the financing of social protection programs require additional resources. To succeed, tax reforms should be prepared in consultation with all stakeholders, away from the budgetary process, approach and deadlines. This has not been the case in Lebanon where fiscal adjustments have been dictated by mere considerations of revenue mobilization and budget balancing. Indeed, fiscal reforms must be part of an integrated economic and social plan with specific goals and objectives including, but not limited to the need to boost receipts and put the debt on a downward trend. The challenge of fiscal policy is to achieve the highest level of efficiency in revenue collection while maintaining equity. Thus to be acceptable and sustainable, it is imperative to distribute fairly the burden of reform on all segments of society with an effort to limit its impact on the poor. Trade-offs must be made between the options of reducing the deficit by raising taxes and/or slashing expenditures, or increasing public investment spending in an attempt to stimulate the economy thus expanding its tax base.

**8. (c) - Fiscal policy - Expenditures.** Government should seek to optimize capital expenditures through better planning and leaner administrative structure with more competences, while rationalizing and targeting social expenditures and subsidies. Public spending policies should be reconsidered to move away from profligate current consumption towards capital investment in infrastructure and human development, as these have high returns in terms of economic growth, employment generation, income equality and poverty reduction. Desirable policies and measures in this regards should:

- (i) Contain the public sector wage bill in tying salary increases to productivity gains, and streamlining the structure of the public sector inter-alia through automation, and promotion of e-government.
- (ii) Rationalize social spending and overhaul subsidy policies.
- (iii) Leverage public investments in infrastructure through public-private partnerships.
- (iv) Adjust or curtail transfers to wasteful, non-productive institutions – of which, some have outlived their mandate and need to be abolished

– to improve their performance.

(v) Monitor tender awards and contract expenditures and adopt the procurement law still debated in parliament.

(vi) Implement priority projects, in the energy sector in particular, given their beneficial cost and deficit reduction effects.

**9. (d) - Fiscal policy - Revenues.** On the revenue side, tax reform entails tradeoffs between direct taxation (wage income, bank deposit interest earnings, real estate transactions, capital gains) and indirect taxation (customs, excise, value added tax). As for non-tax revenues, the choices can be between maintaining future yearly revenues generated by public enterprises (e.g. telecommunications) or immediate financial proceeds from privatization. It is government's unrelenting task to pursue reform towards a more efficient and fair tax regime, while ensuring an adequate revenues stream. The following are options Lebanon can consider for revenue measures:

(i) Introduce a tax on realized capital gain on property, which can be waived after a specified period of holding.

(ii) Alternatively, add an ad-valorem tax on property sold.

(iii) Adjust tax on bank deposit interest income from its current 5% level.

(iv) Adjust the value added tax rate from its current 10% level.

(v) Review gasoline excise.

(vi) Levy consequential fines on illicit occupation of seashore and other public property.

(vii) Strengthen capacity to collect taxes, especially from tax evaders.

10. **(e) - Budget methodology.** The general budget is a unique tool and a one-time yearly opportunity to translate the government economic vision into a medium-term program of specific and priority projects and reforms. The government should thus improve the framework for public budgeting through further accounting and financial management reform initiatives to align budget preparation mechanisms with best practices. These initiatives should be implemented in parallel with measures related to improving macro-fiscal planning, expenditure and cash management procedures and public procurement of goods and services. The budget concept, methodology and process should be improved to:

(i) Make the budget comprehensive so that all public sector entities are included in terms of operating and capital expenditures, irrespective of sources of funding (whether external grants and loans, or fiscal receipts).

(ii) Ensure that expenditure priorities are decided on objective and stringent economic, financial and social criteria. Ending a ten-year constitutional breach, the start should be the preparation and publishing of the budget, which the executive and legislative authorities failed or declined to prepare since 2005, while no "executed accounts" were submitted by government for parliament clearance after 2003.

## IV - Private Sector Development

11. **A vast, overdue program of legal, trade and financial reforms.** Government must strengthen, update and modernize the legislation and regulations that foster and support investment, growth and employment creation. Improving the antiquated business climate, spurring foreign direct investment and facilitating the creation of new enterprises are key components of successful growth enhancing strategies. Lebanon still scores poorly among emerging economies in terms of fairness, transparency, and predictability of its business environment. Facilitating trade, enabling competition and streamlining business and labor legislation are essential to long-term sustainable development, and to reducing the size of the informal economy and encouraging its integration into the formal sector. To position Lebanon as a regional trading hub, and increase the global competitiveness of Lebanese products, government should streamline import and export procedures, redesign customs and port procedures and fees, and establish free trade zones and industrial parks with the necessary supply of public services that can attract entrepreneurship, capital and skilled labor. Bilateral, regional and multilateral trade agreements carefully entered into, and are compatible with Lebanon's comparative advantages are also part of export facilitation policies. A number of actions and initiatives – some identified and discussed within public-private groups and based on Lebanon's data and scores in the World Bank's Doing Business report – are underway and need to be completed. Effective legal and regulatory reforms should strike the right balance between encouraging entrepreneurship and risk taking, and protecting investors, consumers, creditors and minority shareholders. Reforms should seek to upgrade the existing legal framework to adapt to changing business practices and global trends, particularly through the modernization of the "Code of Commerce" – for which draft amendments had been prepared – to adjust:

- (i) Burdensome business laws and codes pertaining to commercial contracts, company law and registration, collateral, insolvency and bankruptcy, intellectual property rights and consumer protection.
- (ii) Laws governing competition, labor, land, tax and tort.

(iii) Economic public laws on procurement, concession, BOT, public-private partnership.

(iv) Laws that promote inclusion in the digital economy such as e-transactions and e-signature.

There is now increased awareness among public and private stakeholders about the benefits of well-functioning secured financing systems, and in this regards, the draft law on “secured lending” needs to be enacted to ease private sector access to credit in strengthening lenders' rights in movable asset collateral, and promote increased lending to small and medium scale enterprises which account for some 70% of economic output. This would require specifically, the creation of a functioning movable asset registry enabling lenders to file notice related to proprietary rights.

## V - Infrastructure Rehabilitation

12. **(a) - Obsolete infrastructure.** Recurrent and intractable budget deficits over the years have eroded government capacity to fund the infrastructure programs necessary to meet growing population demand and sustain economic growth. Add to this the unremitting feud among political clans on sector priorities, ownership and governance patterns, and weak capacity, if not inability, of public entities for effective and timely implementation of large national projects. Tax receipts and non-tax revenues (e.g. telecommunications) barely cover debt service and incompressible salary and security expenditures, subsidies notably to EDL, and emergency relief efforts. No fiscal capacity exists to fund the massive, long overdue infrastructure investments in the power (some US\$5 billion), water and sanitation (US\$10 billion), telecommunications (US\$1-2 billion) and transportation (US\$6 billion) sectors. For such a major program to materialize, sectors which attract private capital – power, oil and gas, and telecommunications - must be open for private funding which should be promoted. To this effect, it is imperative that the draft law on public private partnership (PPP) that has been under discussion for several years, be passed without further delay. Scarce available public resources could then be directed in priority to:

- (i) Maintain the nation's stock of physical public assets and equipment now quickly depreciating as a result of poor maintenance.
- (ii) Fund social sectors and other areas where direct financial returns on investment would make private funding unlikely.

13. **(b) - Energy - Electricity sector.** The sector requires major rehabilitation and capacity expansion to provide services that Lebanese citizens are entitled to, and reduce business costs for domestic producers, as power constitutes a key cost component in the production of goods and services. Moreover, lowering and ultimately eliminating Treasury support to "Electricité du Liban" (EDL) would help curb the deficit and the public debt, and pave the way towards fiscal sustainability. EDL is hampered by major governance problems with significant technical and non-technical losses equivalent to 40 percent of power generated. Addressing

these problems to ensure reliable, sustainable and affordable power supply requires a review of the sector's legal framework (Law 462 of 2002) and the establishment of a regulatory authority – yet to see the light of day – to shield the sector from political interference and encourage private participation in sector rehabilitation and financing. The government developed in 2010 a comprehensive policy which establishes an overall structure for the energy sector in Lebanon. In terms of renewable energy sources and energy efficiency, government's objective is to meet 12 percent of needs from renewable energy sources by 2020. Significant progress was made in meeting the interim 2014 target of new solar water heater installations, with innovative financing mechanisms and awareness-raising and capacity-building put forth for renewable energy sources and energy efficiency. By opposition, progress is slow regarding hydroelectric power programs, energy efficiency legislation and amendment of the building code, hindered by legal and planning issues, and legislative delays for the energy efficiency. As to priority projects in generation, transmission and distribution, these require a transitional period of two to three years to be completed, and include:

- (i) Expansion in generation capacity by 3,500 megawatts (MW), along with the rehabilitation of the Jiyeh and Zouk power stations – now underway after Lebanon secured alternative power supply from leased vessels.
- (ii) Completion and upgrading of the transmission grid (closing the Mansuriya loop) to reduce transportation losses, remove bottlenecks and ensure stability and operation of the 220 kV network.
- (iii) Reform of the distribution sector to contain major losses, with three "Distribution Service Providers" (DSP) involved in the upgrading, operation and maintenance of the network, including metering and collection.
- (iv) Adjust pricing methodology and tariffs, as at their current levels (9 UScents/kwh), revenues cover barely half the production costs (23 UScents/kwh). Yet government policy remains that tariffs cannot be raised before improving service provision.

Moreover, supplying natural gas to the Deir A'amar and Zahrani power plants – which have been using more expensive fuel oil feed – is a necessary condition to reduce generation costs. To do so requires the construction, at either site, of a terminal for receiving liquefied natural gas (LNG) and of a gas pipeline connecting the two plants. This would be a transitional, though necessary, phase until Lebanon has developed its offshore gas resources, or has connected to the Arab gas network as regional conditions permit. In this regard, the mid-2014 oil price collapse was a bounty for oil importing countries, including Lebanon, whose oil import bill averaged about 15% of GDP, with a sizeable share due to EDL oil consumption heavily subsidized by the state (US\$2.4 billion in 2014). Acting on the price fall, Lebanon can use the resulting savings to rationalize the power sector and:

(i) Add a power plant to boost generation capacity by some 700 MW i.e. equivalent to the capacity of Zouk (the nation's largest plant) at a cost of US\$750 million.

(ii) Build, at a cost of about US\$300 million, an LNG terminal to lower feedstock cost for power generation plants.

(iii) Adjust electricity tariffs. Indeed, while current EDL rates (150 LP, or 9 US cents/kwh) carry a 50 percent subsidy, private power vendors charge excessive tariffs (of up to 1000 LP, or 66 cents/kwh). As energy feedstock prices, a main component of power generation costs fell by half since mid-2014, the authorities – to shore up EDL financial position and reduce its deficit – should mandate tariff cuts by private generators in parallel to raising EDL tariffs in a way that does not affect consumers' total energy bill.

**14. (c) - Energy - Exploration and exploitation of offshore oil and gas resources.** Until it develops its natural resources, Lebanon remains dependent on foreign energy sources and imported oil products for its transport, power, industry and household heating sectors. Commercial oil and gas discoveries in Lebanese waters will ease imports and strengthen energy supply security. Assuming sufficient resource discoveries justify investment in exploration and development activities, the exploitation of marine petroleum resources could make Lebanon self-sufficient in energy, with long-

term prospects for gas exports using the Arab Gas Pipeline or possibly new pipelines through Cyprus or Egypt. The sector also is of strategic importance to Lebanon giving its backward and forward linkages to the national economy. The hydrocarbon industry can indeed foster human capacity development, contribute to job creation for skilled nationals, spur foreign direct investment and develop local infrastructure. In spite of the uncertainty regarding the amounts of oil reserves present offshore, the pre-requisites for petroleum generation and accumulation are confirmed by seismic surveys and geological conditions in the eastern basin of the Mediterranean Sea, and are further supported by discoveries in neighboring countries. Information through a multitude of surveys using advanced technologies over a large area is available. Moreover, in preparation for the first licensing round, the strategic environmental assessment for the development of the oil and gas sectors had been carried out in 2012, and its recommendations reflected in the Petroleum Administration's plans. Yet, legal and political challenges have halted the progress of the licensing round launched in 2013. As for the legal framework, the government has adopted a "petroleum sector policy" and parliament has ratified the Offshore Petroleum Resources Act. Yet, for petroleum activities to start, it is necessary to adopt all needed pending legislation, and define the tax regime for the sector. At the same time, the authorities should duly assess the potential implications of the oil price collapse – largely the result of structural shifts in supply and production patterns, not the least being the shale oil and gas technology, rather than cyclical fluctuations in supply/demand balance – on Lebanon's oil sector strategy and policy and whether these need to be adjusted.

**15. (d) - Transportation - Institutional framework.** Current investments in the transport sector are not commensurate with Lebanon's growing transport needs. In addition, the sector suffers from gaps in legislation and regulation, inadequate physical assets and under capacity. An ineffectual regulatory framework and governance setting, with multiple stakeholders hardly coordinating their actions, weigh heavily on sector development. Absence of integrated policies, sparse maintenance and inefficient management of roads further exacerbate service quality with round-the-clock

congestion, heavy air pollution and high incidence of traffic accidents, fatalities and injuries. The transport sector strategy, which the government discussed at length, must be effectively implemented to improve transport infrastructure service and quality, boost traffic safety (inter-alia with stricter enforcement of the traffic code), and provide a reliable public transport fleet at affordable cost to commuters.

**16. (e) - Transportation - Physical assets.** The transport problem in Lebanon is complex and will be costly to resolve. It calls for approaches that go beyond traditional solutions of expanding roads, improving crossings and building overpasses, and enforcing the traffic code more rigorously. The concentration of 75% of economic activities in the Greater Beirut area is the determinant factor of the pattern and topology of traffic movements. Public administrations, commercial centers, offices and workshops often straddle residential neighborhoods. As a result, residents commute in all city directions, on and off-peak times, while dwellers outside Beirut converge daily to their work place. As long as the bulk of economic life is confined to the capital and its suburbs, no planning measures, rational as they may be, will provide a radical solution to the intractable problem of transportation. The sustainable solution to the dilemma hinges on a balanced redistribution of economic activity across the Lebanese territory, an objective not to lose sight of when creating new projects. "Nation-state" with a high population density crowded over a small area of 10,452 km<sup>2</sup>, Lebanon also displays the characteristics of a "city-state", an extended urban area which can be connected through an efficient road, rail and water transport network allowing all regions to partake in a more inclusive national economy – a network that would consist of the following:

(i) - **Roads.** The grid, including segments currently in existence, would consist of: a North-South major costal highway from Arida to Naqoura, connecting Lebanon's largest sea-side urban centers; a parallel axis (perhaps with a lower capacity than the first) straddling the Bekaa Valley; and several transversal East-West expressways across Mount Lebanon, linking the two precedent North-South axes. The cost of the network (assumed to measure 650 km, four lane highways) is

about US \$6.5 billion (on the basis of about US\$2.5 million/km), or an annual capital outlay of US \$1.1-1.6 billion, if said project were implemented over a 4 to 6-year period. Part of the capital investment can be recouped through user tolls levied on some sections of the grid.

(ii) - **Railways.** A rail network including a North-South coastal line, in addition to the rehabilitation of the Beirut-Damascus old rail line, with the aim of connecting Lebanon to Turkey and Europe north and westward, and to the Arab hinterland south and eastward.

(iii) - **Costal navigation line.** A privately funded and operated maritime costal line, with docks and berths at the port cities of Tyre, Zahrani, Saida, Beirut, Jounieh, Byblos, Chekka, Tripoli and Abdeh, which would capture part of the passenger and cargo traffic during three of the year's four seasons in a world region blessed with mild climate. Competitive water way pricing would result in a material reduction in both transport costs and traffic pressure on the road network.

**17. (f) - Transportation - Transport network and its impact on economic integration.** With an efficient transportation system, Lebanon – “city-state” can initiate the necessary process of repositioning part of its economy and productive assets outside Greater Beirut. Economic activities may then burgeon and possibly bloom in the major coastal cities of Tyre, Saida, Damour, Jounieh, Byblos, Batroun, Tripoli and Minya, and inland towns like Nabatiyeh, Tibnine, Marjayoun, Hasbaya, Zahle, Zgharta, Becharre, Aley, Baakline, Halba and Kobayate, and other qaimaqamyat centers. Such new production centers paradigm would yield definite economic and social returns, some difficult to quantify, including:

(i) Lower costs of establishing and doing business compared to Greater Beirut given real estate price differentials and more accessible infrastructure, as demand pressure in Beirut is testing and taxing road, electricity and water grid capacity.

(ii) Appreciation in real estate values from increased demand for housing and office space, while corresponding decline in demand in Greater Beirut may temper the overheating of land prices.

(iii) Improved quality of life and wellbeing compared to stretched, over-crowded Beirut.

More importantly, economic decentralization is the only model able to achieve the “balanced development” which the Constitution advocates, with little, if any, proven achievements so far.

**18. (g) - Transportation - Urban transport and role of mass transit.** The “Urban Transport Master Plan” must be implemented to alleviate congestion in major cities, especially the capital, where clogged arteries have become more like parking lots than thoroughfares. The public transport, or “mass transit”, system in major metropolitan areas plays a prominent role in ferrying commuters and easing congestion. Managing a workable mass transit system in Lebanon would require strict measures and mechanisms such as barring private vehicle entry to inner-city streets during peak hours. Cars should be left at the city limits in designated points, while shuttle buses carry passengers to their ultimate destination within the city. A well performing public transport system with a modern bus fleet will undoubtedly contribute to mitigating Lebanon transport crisis; however, it cannot solve it drastically. Geography, and population dispersion over about 1,300 settlements makes the individual car, now and in the foreseeable future, an indispensable transportation means particularly in remote, mountainous terrain. Fuel costs therefore will always be an important component of household expenditures. As in other countries, a share of fuel tax receipts can be earmarked to upgrade the national and urban transport grids in defraying some capital outlays, operation and maintenance costs. Alternative transport options within Greater Beirut such as metro and monorail should also be explored seriously as candidates for public investment.

**19. (h) - Water supply and sanitation.** In water and sanitation, actions must build upon the government 2012 National Water Sector Strategy, which seeks to improve resource management in production, transport and distribution of both drinking water and irrigation, as well as in collection and treatment of wastewater and sewage. Improved coverage and sustainability of water supply

across the nation is tied to raising storage capacity, reducing network losses, expanding irrigation coverage, increasing the levels of wastewater collection and treatment, improving storm water drainage, and adopting policies and measures for the prevention and management of drought and water scarcity. It requires also effective monitoring of groundwater development and movement in all regions, on which specialized bodies gather, maintain and update relevant and necessary data. Implementation of the strategy must address the lack of inter-agency coordination and monitor the application of Law 221 regulating the water sector and furthering the process of institutional reforms, and in particular:

- (i) Restructure and re-organize the Ministry of Energy and Water.
- (ii) Strengthen the technical, financial and commercial capacity of the regional water authorities, starting with filling vacant positions in their organization structure, providing them with the autonomy necessary to carry out their mandate, and developing a performance monitoring system.
- (iii) Review the tariff structure for drinking water, irrigation and wastewater on the basis of volumetric demand rate, especially as the strategy seeks to streamline water usage, and create awareness (inter-alia through the establishment of water users associations) to environmental subjects such as quality and protection of water sources. Moreover, implementation of household and greenhouse rainwater harvesting systems through the provision of incentive programs needs to be introduced to reduce stress on groundwater and allow natural recharge during rainy seasons.
- (iv) Address gaps in the existing legal framework that impede partnership with private operators, especially since the strategy sets out an ambitious capital investment program, equivalent to about US\$10 billion – including construction of 18 dams and 23 artificial lakes to achieve continuity of water supply through expansion of storage facilities – for which budget resources are in short supply. Investment prioritization becomes essential. Indeed, given its size and cost implications, it is critical that specific investments within the program be selected based on detailed feasibility studies covering the technical, financial, economic and environmental dimensions of each investment component. The Ministry of Energy and Water,

following review by the ministries of Environment, Justice, Finance, Agriculture and Industry, submitted in 2014 to the Council of Ministers a new water code (“Code de l’Eau”) inter-alia promoting private sector participation in water and sanitation services. Investment priorities should ensure that projects already started and/or completed become fully operational and deliver the required service (this would address the case of some built wastewater treatment plants which have not been connected to the sewage system due to lack of house connections, or deficient water supply networks that should be replaced to minimize technical losses).

(v) Conduct a mid-term appraisal of the National Water Sector Strategy to infer lessons from actual experience gathered so far and assess where the strategy worked, was too ambitious, or was derailed by unforeseen development including budget overruns, Syrian refugee crisis, and 50-year drought occurrence. In that frame, the strategy may need to be updated in light of unified and new data (e.g. provided by the Blue Gold plan) and other related strategies.

**20. (i) - Information and communication technology.** Lebanon scores poorly and lags behind many countries in the region in the information and communications technology (ICT) sector. Despite substantial progress registered – but still trailing other countries, notably GCC – regarding rates of penetration now nearing 75% (30% growth over the past 5 years on account of tariff reductions and installed capacity increase) internet speed remains an impediment due, inter-alia, to the fact that fiber to the business or home (FTTX) services have not been yet deployed in Lebanon. The 4,500 km fiber optic network still needs to be connected to all households (by 2022) to be become fully operational. (The National Fiber Network Project was approved in June 2010 and financed by the government with an estimated duration of 32 months; 250 Fiber to the Business (FTTB) points were going to be connected by end 2011, and 2500 Fiber to the Curb (FTTC) points were going to be connected by mid 2012. That full network should have been in place by end 2013). Without formulating clear sector related policies, it will be difficult for Lebanon to strengthen its competitive position and mobilize the necessary investment for growth, particularly as ICT is a pillar of the knowledge economy

that Lebanon should strive to build. The digital economy is progressing rapidly and globally, and were Lebanon to trail in lifting current barriers to ICT sector development, the gap between Lebanon and neighboring countries will further widen, creating a structural impediment to economic growth, employment creation and social development. Countries of the region, which introduced competition in access, have a better performance on penetration and quality of services. Absent a competitive market structure that can serve the demand for access and quality of ICT and broadband services, Lebanon will not reap the benefits of potential growth derived from ICT services, and broadband internet recognized as an adjuvant for growth, employment creation and skills development. In terms of freedom of internet access, there are still some infringement on users' rights in Lebanon, given restrictions and limits imposed on subjects that can be accessed. The state must move away from its ad-hoc, piece-meal approach to addressing ICT problems through a comprehensive strategy covering all components and activities of this vital sector. The strategy must spell fundamental choices, such as allowing private sector participation in the telecommunications market, as network ownership and operations remain currently held in government hands. Indeed, all essential telecommunications services are provided through assets owned by the government and managed by the Ministry of Telecommunications, with the private sector owning 5% share of the market, limited to the provision of DSL and wireless internet services. In this context, long-delayed structural reforms must be initiated to:

- (i) Reduce dependence on meager state resources, and allow private domestic and foreign investment to finance and modernize market infrastructure, plant and equipment necessary to offer advanced and affordable telecommunications services. This is all the more timely as the Government has invested heavily in telecommunication infrastructure which has insured that all basic components of the Next Generation Networks are in place (international capacity, national fiber backbone, and mobile 3G broadband); the market would now benefit from reforms at the access level, a market which has remained under a structure of one fixed operator and two "Built-Operate-Transfer" licensees for mobile services.

(ii) Lay the ground for an efficient ICT market under the oversight of the “Telecommunications Regulatory Authority” (TRA) to ensure fair competition without stifling innovation. To this end, Law 431 should be enforced to allow transition from a largely state-run sector to an open, competitive regime, while all powers legally vested in the ICT sector’s governing body must be restored, starting by the appointment of the members of its Board of Directors whose term expired in February 2011. Lebanon remains the one country in the world where the state retains ownership of the cellular telecommunications sector. Therefore, TRA’s first task is to restructure the government owned networks into three private companies with the bulk of shares floated on the Beirut Stock Exchange for acquisition by Lebanese investors.

(iii) Once liberated from its operational and regulatory mandates, the “Ministry of Telecommunications” can become the “Ministry of Information and Telecommunications”, setting the comprehensive digital policy for the nation and providing resources for the implementation.

(iv) Activate the Beirut Internet Exchange Point, as 80% of internet traffic leaves Lebanon and comes back. Through the exchange, traffic can stay within the country, hence be cheaper and faster, with less latency.

## VI - Regional and Municipal Development, Environmental Protection, Real Estate and Housing Policy

**21. (a) - Regional and municipal development.** Beirut and Mount Lebanon, where nearly half of the nation's population dwells, account for 75% of Lebanon's economic output. Along with improving the transport network given its impact on economic integration, it is essential to devise a regional development policy with effective implementation tools to capture and enhance the economic potential of each region. At the same time, the social structure of Lebanese villages and the specificities of the rural areas' natural and cultural heritage should be preserved. Sufficient financial resources, including private sector funding, must be secured to develop and implement economic projects outside Beirut and Mount Lebanon, home after all to the other half of Lebanese. The Tripoli Special Economic Zone, approved by law and established already, is a good start to attract resources and business that would benefit the whole north of Lebanon, considered in its majority a poor region, especially those northern border villages. Similar economic oases must be developed in other areas of Lebanon. Often the economic prosperity of a region largely rests on the dynamism of its dominant city, while remote and rural zones, and even non-major cities, lack the means to keep in stride with the national pace of development and social progress. The dependence – trade, services and employment wise – of rural areas and secondary agglomerations on the main regional centers must be reduced, among other things in stimulating small and medium-size businesses through long-term soft loans and technical assistance programs. Local development can also be promoted and encouraged by providing financial and institutional support to municipalities and municipal associations, and building their planning, technical and implementation capabilities. In many countries, including Europe, "specialized municipal finance intermediaries" played an active role in enabling local governments to devise medium-term development plans, and in providing long-term funding for project implementation. Lebanon should assess the feasibility of establishing, with the participation of the banking sector, a "Municipal Development Bank", which can secure funding for local infrastructure projects (public transport, sewage treatment, solid waste management...) and other development activities in municipalities.

This should be conducted in the context of the proposals for decentralization mentioned in the constitution and aimed at giving local authorities greater freedom in deciding and managing their development programs.

**22. (b) - Environmental protection.** In addition to addressing public health perils, environmental protection aims at preserving an invaluable national asset, which is Lebanon's unique natural geographic wealth. Lebanon faces harmful environmental risks arising inter-alia from air pollution, water and solid waste hazards, seashore degradation, mountain quarrying and receding green spaces. These problems call for radical responses in line with the priorities of the government national environment plan, which outlined a broad set of laws and regulations to mitigate the damaging environmental repercussions on nature and society. As in other fields, lack of law enforcement is a main problem. Priority issues to address are solid waste management, groundwater pollution, beach erosion, quarries devastating effect, and reforestation needs. Careful solutions must be designed to address these problems in a medium time frame (reforestation measures should urgently be initiated as they take a long time to bear results, and hunting and fishing regulations must be enforced). Quarries constitute a significant environment problem, yet many quarrying facilities remain unlicensed, with the majority of operators in violation of the laws pertaining to extraction and site rehabilitation. An intractable problem long neglected and now fully blown, solid waste treatment has been an on-going, critical issue as there are over 650 ill-managed wild dumps where thousands of tons of domestic and industrial wastes are thrown daily. While the volume of waste is expected to rise by 60% by 2030, the large existing dumps (Saida, Naame and Bourj Hammoud) have reached maximum capacity and new sites must be located. The process of waste disposal in rural areas remains traditional and primitive, causing untold harm to water resources, endangering health and dooming tourism activities and prospects. Overflowing sanitary landfills must be managed in a radically different way through modern and effective mitigation processes (compacting, recycling, composting...).

**23. (c) - Real estate sector and housing policy.** Real estate sector financing has witnessed a remarkable growth in the past years. However, moderate improvements in income levels could not keep path with rising property values, which has priced out a large segment of resident Lebanese from the housing market, particularly in Beirut and its suburbs. The market has become a reserved ground for foreign and non-resident buyers, with a significant share of capital inflows to Lebanon finding its way into real estate investments. With soaring land prices, and about 25,000 new housing units needed each year, Lebanon housing crisis has become acute, especially for middle income and first time homebuyers. The state has no ability, nor is it its role, to control real estate price levels. Yet through appropriate policy tools it can act along several axes that may affect indirectly, but positively, the evolution and structure of prices, namely:

- (i) Reform the real property tax, mainly through a tax on realized capital gains.
- (ii) Implement a rental housing law, fair both for owner and tenant.
- (iii) Review the urban planning law to rationalize land use.
- (iv) Contain the spread of “misery belts” around main cities, which create enclaves of poverty, overload an already deficient infrastructure, and disfigure the urban landscape.
- (v) Offer long-term leases on public land to build low and middle-income residential units, and provide financing facilities for real estate developers of social housing.

## VII - Human Development: Education and Health Care

24. **(a) - Education, fount of human development.** Sector policy reforms should be driven by the principles that education must achieve the following:

- (i) Promote social integration, be inclusive and ensure equal access in terms of enrollment, opportunity of studying and chances of success to citizens brought up with a strong feeling of national belonging to a society of justice, freedom, democracy and peace.
- (ii) Play a leading role in helping bring up thoughtful and productive citizens capable of learning independently, which is the basis for continuous life-long education.
- (iii) Be of good quality and conducive to building a knowledge society that fosters economic development and social progress.

In the framework of the “national strategy for education” the ministry of education must speed up implementation of its “development action plan” with programs, projects and activities in general, pre-university, and higher education, as well as in vocational and technical training. The main components of the strategy and plan are as follows:

- (i) Improve the quality of teaching at the primary and secondary levels now that curricula have been largely modernized, while ensuring that these are updated to keep in line with or ahead of society’s progress and development given the on-going scientific and technological evolution in the knowledge economy.
- (ii) Professionalize the teaching and training functions, develop the management of the education sector, modernize the ministry’s organization structure, and strengthen partnerships with the private sector, local authorities and civil society.
- (iii) Develop programs to expand early childhood education.
- (iv) Align vocational, technical and higher education with the demands and opportunities of the job market, inter-alia in promoting and strengthening vocational training programs, and enhancing the quality

of the teaching of Arabic as well as foreign languages.

(v) Ensure the quality and standards of education through effective control and monitoring mechanisms along transparent and well-defined benchmarks, including through the establishment of independent national authorities for quality insurance in general, vocational and technical and higher education.

(vi) Establish a national body for the evaluation of the education system across all of its components.

**25. (b) - Universal healthcare.** Health care is the other major pillar of human development. Reform would thus aim at providing basic health coverage to all resident Lebanese, adding two million citizens, or 50 percent of Lebanon's population, to the national health insurance system. This may be introduced, in phases if need be, and achieved at an incremental cost of less than 1.5% of GDP (a cost equivalent, for comparison, to a third of EDL's annual subsidy). Given its far-reaching welfare implications, the Treasury should fund a substantial part of the reform from the general budget, with the option of levying dedicated taxes to cover shortfall as necessary. Additional funding would come from a modest annual subscription (say US \$100) for each dependent in the beneficiary's household, and a ten percent co-pay of the hospitalization bill value, similar to the National Social Security Fund (NSSF) system. In parallel to the adoption of the program, a "health card" would be introduced to help in the efficient delivery and expense control of quality health services – a process that will contribute to the rationalization of the ministry of health's spending and ease administrative formalities that complicate patient entry to hospitals. The proposed universal health coverage system is akin to an insurance scheme which, as an option but not necessarily, can be sponsored by the ministry of health, which would contract with hospitals as insurance companies do. Patients displaying their health card cannot be refused admission to hospitals citing unavailability of beds or costs overrun, since no prior cap would have been set regarding number of beds or even costs. The proposed system, based on the principle of solidarity and interdependence, translates in the provision of health coverage for all resident Lebanese, with incentives to ensure primary health

care and preventive medicine. Its inception creates no potential conflict with the mandate and operations of the NSSF.

## VIII - The Social Contract: Pension System, Social Safety Net, Women and Youth Empowerment

26. **(a) - The social contract.** The nation's social policies must be revisited and modernized regarding pension system, social protection for marginalized groups, and women and youth empowerment. The pension system for private sector workers, with wide loopholes, must be overhauled to provide lifetime pension for retirees. Social safety net programs should be redesigned to target the needy and guarantee the delivery of basic services to them.

27. **(b) - Pension system.** The current "end of service indemnity" (EOSI) scheme for private sector workers, based on a lump sum payment at service end, must be replaced by a fair and viable pension system. The EOSI is no longer adequate to ensure retirees protection in coping with old age, disability and death risks, as retiring workers lose their health coverage and other family benefits. Article 49 of the Social Security code states that the EOSI is a temporary transitional system towards the desired permanent, alternative regime similar to that of public sector employees, and providing for lifelong monthly pension payments in line with established good practices internationally. Such a reform will have a significant impact on the welfare and security of workers by providing predictable and stable pension income, as well as enhance the predictability of employers' contributions to the social security scheme. It would also facilitate job mobility by ensuring that pension rights are assured throughout a worker's career. Discussions on pension reform have taken place over the last ten years, accompanied by several studies (in collaboration with the World Bank and the International Labor Organization) to assess and ensure the sustainability and effective implementation of a new scheme. Indeed, in a country with a youthful population like Lebanon, actuarial studies show that at the launch of the new scheme there will be one retiree relative to 23 active worker contributors. Reasonable contribution rates of about 15 percent of wages split between employees and employers would result in a considerable accumulation of pension reserves that could reach some 25 percent of GDP already by year 2030. The introduction and effective

implementation of the new scheme will need to address a number of fundamental issues related to the following:

(i) Regulatory framework, governance and supervision of the new scheme, and in particular the necessary improvements in the institutional capacity and oversight within the National Social Security Fund in any role it plays in implementing the new scheme, to ensure commitment of the tripartite supervisory body - workers, employers, and State – to the principles of efficiency and transparency in the management of the system.

(ii) Investment policy, independence of assets managers, annuitization and insurance.

In time, parametric adjustments may need to be introduced to the public sector pension scheme to ensure its long-term sustainability and reduce distortions between private and public regimes. A draft law (No.13760) approved in January 2004 by the Council of Ministers, was submitted to, but is yet to be passed by, Parliament. This draft law requires amendments with due regard to the fiscal, financial and welfare implications, and viability of the proposed new scheme. To introduce amendments, government would have to recall the draft law and re-submit the amended draft to parliament. Alternatively, the draft could be amended directly by Parliament.

**28. (c) - Social safety net.** Government must focus on the equity aspects of social protection schemes to ensure society's most vulnerable segments – the poor, elderly and disenfranchised – are protected through carefully designed and targeted programs of assistance. Providing across the board subsidies for services and for commodities the price of which Lebanon cannot control (such as oil derivatives) is neither equitable as it helps more the affluent than the poor, nor sustainable as it adds to the stock of debt and increases its service which is a future tax burden on society, poor and rich alike. An embodiment of such a targeting program for social safety nets is the "national program to support the poorest families" introduced in 2012 and for which the government allocated an initial amount of US\$28 million. It built a reliable database on poor and vulnerable population and of household income, which allows the government to target its social safety net programs and

provide needy families with specifically tailored assistance from social and medical services to the elderly, to education subsidy for households with children.

**29. (d) - Women empowerment.** Despite noticeable progress over the years in the status of Arab women in terms both of legal framework and extent of participation in public life, women's conditions remain tributary of the effective enforcement of laws guaranteeing their rights, and the elimination of cultural barriers preventing their full participation in all facets of society's life. The government took steps for women empowerment in signing the International Covenants on Economic, Social and Cultural Rights (ICESCR) and Civil and Political Rights (ICCPR) in 1972. The civil war (1975-1990) halted many efforts but didn't stop civil society's initiatives towards women empowerment. Thus the National Committee for Lebanese Women was created in 1995 in parallel with the preparation for the 1996 Beijing's fourth world conference on women, where Lebanon ratified the "Convention on the Elimination of all Forms of Discrimination against Women" (CEDAW), though with several reservations related to citizenship, personal status and arbitration. Lebanon lags behind advanced countries as regards the economic role and political representation of women. Indeed, over half of the population's basic rights remain limited notwithstanding the Constitution's (Article 7) guarantee of equality of rights, obligations and duties for all citizens. Current gaps in the legal framework result in a failure to protect women fully against violence and domestic abuse. Law 293 on the "Protection of Women and Family Members against Domestic Violence", which parliament ratified in April 2014, is yet to be fully enforced by the judiciary. Although it defines domestic violence narrowly and may not provide adequate protection from all forms of abuse, it is an important first step on a long path ahead. Women are discriminated against in laws concerning family, citizenship, right to travel and opportunity to work. Lebanese women are yet to participate in public life on a meaningful scale on their own merit and credentials. (Gender wise, their political representation in government is below 3 percent, compared to 10 percent in Syria and 5 percent in Jordan; and they face high odds to be elected to the legislature, with only 17 women having served in Lebanon's parliament since 1953, whereas the

maximum number of female MPs in one parliamentary term has been six out of a total of 128 in the 2005 elections.) It is a fundamental public policy, let alone moral, issue for a progressive, enlightened and inclusive society as Lebanon's to address the salient cultural, legal, social and economic disparities and achieve substantive gender equality which is an intrinsic part of democracy, social justice, human rights and dignity. Where women are full partners, healthy, educated, and free from violence, with an equal chance to work and generate income, families will flourish, and so will communities and nations. Addressing this multi-faceted agenda will require the broad commitment of political groups, and mobilization of civil society organizations.

**30. (e) - Youth empowerment.** Government must reassess and update other aspects of its social policies to address key deficiencies in citizenship social entitlements, including the right to adequate standard of living, youth empowerment and gender equality. The integration of youth and gender issues into social policy and planning strengthens eligibility and justice in the distribution of services among citizens, especially vulnerable groups. In Lebanon, the Ministry of Youth and Sports, and the National Youth Forum define youth as the age bracket between 15 and 29 years based on social and economic criteria. The 2012 National Youth Policy (NYP) charted by the government addresses the youth issues from the perspective of: (i) vulnerability, as youth and adolescence is a period of transition and change in which exposures to new risks arise; (ii) opportunity and social return to capitalize on the energies of youth; (iii) economic return, as investment in youth yields high public returns; (iv) civic engagement to ensure that youth think critically and creatively which is key to promoting active citizenship and better governance; (v) equity, in addressing inequalities and extending protection to the poorest youth which increases social cohesion; and (vi) security, as social exclusion, poor education and disparity lead to insecurity and act as a trigger towards youth engagement in extremism. The overarching goal of the NYP is to promote learning, economic empowerment, skills building, active citizenship and meaningful participation and protection of youth. Parliament enactment of the necessary legislation is needed for NYP implementation and prioritization of related program

interventions. In particular, strengthening youth capacities and skills to join the labor market should be among the government's goals, especially in Lebanon given the debilitating incidence of the emigration of educated youth on the economy. Among the core government assistance programs is one that helps first job seekers secure a position, inter-alia in defraying the funding of their social security contributions. Equally important are measures to ensure quality education and promote vocational training with an emphasis on integrating people with special needs in all learning stages.

## **IX - Institutional and Administrative Reform, e-Government, Miscellaneous Actions**

**31. (a) - Institutional and administrative reform.** The rebuilding and empowerment of executive, regulatory and supervisory entities conducting public policy, enforcing laws and overseeing regulations is a crucial pillar of government action. Upgrading and improving the efficacy of the civil service apparatus – now misaligned, excessively large yet inefficient, with weak and marginalized institutions – is a necessary condition of a successful institutional reform, indeed on the whole implementation of the reform program, and has a determinant impact on society's development path. Lebanon's public administration structure dates back to the 1960's, based on the tasks and duties national institutions were mandated to perform then, but which since have radically evolved. Time has come to re-design that structure in line with the "Strategy for the Reform and Development of the Public Administration". The strategy focuses on the core ministries and departments in the government sector, and had been prepared by the "Office of the Minister of State for Administrative Reform" (OMSAR). It must be implemented following consultation and consensus building at the national and political levels – and in a next stage must be broadened across all public institutions beyond core government. The size of the public sector (military, civil service, public enterprise, and educational apparatus) now exceeds three hundred thousand elements, including ninety thousand retirees – an inordinately high number in a country of four million citizens with a private sector-led economy! The appropriate policy would be to streamline the organization and size of the administrative body in line with its updated mandate inter-alia through redeployment of surpluses and natural attrition. Once the new, streamlined structure is in place, grades and wages can be revised and adjusted to match enhanced public servant credentials and higher productivity.

**32. (b) - Electronic government.** Administrative reform must also be pursued through actionable "e-government" programs which should ultimately allow citizens to conduct most official transactions in filling applications on-line, attaching the required documentation (scanned), and collecting their completed formalities upon

notification. Lebanon still ranks 110 amongst 152 countries in terms of e-participation relevance to the democratic process. Despite various Council of Ministers decrees on e-government policies, effective e-government projects are yet to be developed. These should build on the draft e-government strategy yet to be endorsed by the government, which in 2011 had mandated OMSAR to develop the e-government portal “Dawlati”. OMSAR is piloting five e-services, which until now allow citizens to download forms that still need to be filled by hand. To develop, optimize and implement the use of e-government effectively, OMSAR should support the sector through adequate government funding and technology adoption, with the objective of: modernizing, through automation, the administration of government; promoting e-services across ministries (several of which had announced their readiness to provide these services to citizens); and helping build the foundation for a knowledge-based and corruption-free society. Two main actions are required to this effect:

(i) Strengthen coordination between OMSAR, the Presidency of the Council of Ministers, and all ministries to agree on the standards to implement e-government, as well as identify, design, and implement relevant projects.

(ii) Implement the e-government building blocks needed on the national level, to allow inter-operability between two or more ministries and the exchange of electronic transactions through an “enterprise service bus”. There is also a need to implement: the national billing and payment gateway; the Single Sign On and e-authentication for all users of e-government systems; and the government network infrastructure and data center (gov-net). In addition, a national cyber security strategy must be defined.

Implementation priorities, after the e-government pre-requisites, should focus on: the “One Stop Shop” of the Commercial Register; the National Cadaster on-line system; and the automation of civil records and e-authentication system. Furthermore, the classification of public data needs to be done by all ministries in order to assess the storage requirement in Lebanon versus the cloud. Finally, data classification must pave the way to any “Open Data” initiative by the government of Lebanon.

33. **(c) - Additional requirements for reform.** Other factors and enablers are necessary for reform which Lebanon must pursue. Priorities are as follows:

(i) Implementation of the guidelines of the “statistical master plan” to improve the statistical capacity of the state, providing reliable and relevant data on the Lebanese economy, (inflation, labor market development, household income and expenditures, balance of payments,...) and reflect those in a timely manner in the “national accounts” reports.

(ii) Establishment of a “public asset management institution” and construction of a “public sector balance sheet” recording both assets (public wealth in terms of land, enterprises,..) and liabilities (e.g. public debt).

(iii) Institutionalization of the fight against corruption in government and the economy.

(iv) Completion of the framework for disaster management and risk reduction.

(v) Encouragement and support of research and development in the agriculture, industry and technology sectors where Lebanon has comparative advantages, existing or potential.

(vi) Reinstating role of the Economic and Social Council as a platform for national consultation, dialogue and debate on relevant issues, through the revival, rejuvenation and streamlining of its tripartite representation – workers, employers and State.



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