

# Priority Reforms for the Government of Lebanon



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## Abstract

*The seeming end of a long political stalemate offers Lebanon a unique window of opportunity to mitigate impending risks and tackle longstanding and, by now, pressing development challenges. This sense of urgency is reinforced by a palpable deterioration in the quality of public services, institutions, governance and the business climate, to name a few. Macroeconomic risks and institutional lethargy, have also been compounded by the Syrian war, taking a toll on the economy, which, even prior to the regional turmoil, exhibited significant shortfalls in the provision of more and better jobs. Furthermore, the influx of displaced persons from Syria (estimated at over one million by UNHCR as of September 2016) has placed added strain on Lebanon's education, health, municipal and other sectors, while exacerbating already notable subnational inequalities. This Policy Paper presents a menu of reforms that would enable the country to rapidly and significantly turn the page of inaction and decline and return the country to a prosperous and inclusive development path. To that end, reforms are prioritized over two time horizons—the first 100 days of the new Government and the medium term. The immediate set of reforms suggested aim at establishing a record of achievements and government credibility that is currently sorely absent; without such a clear statement, policymaking effectiveness will be limited. They will also set the platform for the medium term. Failing to move swiftly on reforms would not only damage the credibility of this government, diminish its chances of success during the upcoming elections, but would also increase the already high level of skepticism that the Lebanese people and the international community harbor when it comes to Lebanon's capacity to take on serious and transformational changes. In short, and contrary to some wishes, the international community's engagement and commitment to help Lebanon will hinge heavily on Lebanon helping itself.*

## I. The Exigency: Stating the Case

1. **Today Lebanon is confronting a multitude of protracted shocks each of which can have the potential to alter the country in fundamental ways in the short to medium term.** These include significant internal and external security threats, extensive and systemic macroeconomic risks, and the arrival of an unprecedented number of refugees making Lebanon the largest per capita host of refugees in the world. Moreover, the protracted nature of these shocks is of particular concern as it is testing the limits of the country's well-renowned resiliency.
2. **After a long political stalemate, reforms are urgently needed to return Lebanon to a sound development path.** The election of the President and the formation of the Government with a relatively broad political endorsement signals the end of the long political stalemate. This constitutes a unique window of opportunity to mitigate impending risks and tackle longstanding and, by now, pressing development challenges. The country has been on a path of structural decline since the early 21<sup>st</sup> century—the quality of public services, institutions, governance and the business climate, to name a few, have all shrunk to poor levels, unbecoming the country's history of excellence (as detailed in the World Bank's 2016 Systematic Country Diagnostic on Lebanon). This new opening provides a renewed opportunity to address these challenges.
3. **A frail macro-fiscal framework, underpinned by unsustainable debt ratios and persistent and sizable fiscal and current account deficits, exposes the country to significant refinancing risks.** Attracting sufficient capital, and in particular deposits, to finance significantly larger budgetary and current account deficits could prove challenging based on recent deposit growth data. This is especially so in light of rising U.S. interest rates and the persistence of sluggish growth prospects in oil-producing Gulf countries, knowing the strong correlation between inflows of capital to Lebanon and the dynamics of the economies of Gulf countries. Meanwhile, a near-complete void of Government initiative to address macroeconomic imbalances is best exemplified by an absence of an official budget since 2005. Instead, progressively potent interventions by the central bank, the Banque du Liban (BdL), to actively manage economic and financial challenges facing the country, even when successful, offer only temporary reprieve, and are not without additional macro-financial risks. Macroeconomic vulnerabilities are also a consequence of an unbalanced growth model that is heavily reliant on specific non-productive, non-tradable and rent-seeking sectors that benefit the select few and fail to deliver quality job opportunities to a large share of the population. Structural reforms emanating from a cohesive

and integrated overall economic vision is the prerogative of the political authority, with the dual responsibility of the legislative and the executive branch.

4. **The Syrian crisis has exacerbated already existing challenges and pressures compounding the need for reforms.** The conflict in Syria is having a large and negative impact on Lebanon's economy and its social and infrastructure sectors.<sup>1</sup> Lebanon's macroeconomic framework has deteriorated markedly since the onset of the Syrian conflict; while the country is known for its resiliency and for seemingly defying gravity, its buffers now urgently need replenishing. Social cohesion has also been adversely affected partly due to the combination of rising poverty, unemployment and joblessness particularly for the youth, and a (further) deterioration in core public services. The latter are under pressure given the sudden and large increase in demand arising from the Syrian refugee influx, which has incurred a sizable fiscal cost. Across all core public services, the surge in demand is currently being partly met through a decline in public service access and quality.
5. **The following *Policy Paper* identifies priority reforms that policymakers can adopt and implement on an urgent basis in order to mitigate sizable and impending risks and unlock principal constraints for Lebanon's development.** These critical reforms are needed to put the country on the right track. Specifically, the Government can announce immediately upon formation a set of very specific reforms it intends to undertake during its first 100 days in office. Communication around the reforms should be the central message of the Government. Upon achieving its 100 days reform agenda, the Government would have the credibility to launch and implement further key reforms over the medium term. Accordingly, the Policy Paper is divided into reforms that are critically needed and can be delivered within 100 days, and medium term reforms. Below we summarize the top 10 priority measures that the new Government and the President, in collaboration with Parliament, can adopt and implement within the first 100 days so as to send a strong signal to all stakeholders that the country is being governed again and that growth and development will resume.

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<sup>1</sup> World Bank (2013), "Lebanon - Economic and social impact assessment of the Syrian conflict," Report No. 81098-LB, September.

**Priority Reform 1:****RATIFICATION OF BUDGET 2017**

The Council of Ministers (CoM) to send to Parliament, and Parliament to pass a budget for 2017 in a manner that upholds constitutional edict and procedure, such that the budget generates a primary surplus.

**Priority Reform 2:****RATIFICATION OF PUBLIC PROCUREMENT LAW 2013**

Parliament to ratify the revised Public Procurement Law of 2013.

**Priority Reform 3:****FISCAL REFORMS**

CoM to pass a Decree stating that any increase in power supply from new power generation output would be matched by an automatic and commensurate rise in the average tariff leaving government transfers to EdL unaffected by the rise in output.

**Priority Reform 4:****PUBLIC PRIVATE PARTNERSHIP**

CoM to pass an updated version of the existing draft PPP law.

**Priority Reform 5:****GAS-RUN POWER GENERATION**

CoM to issue a tender package for a liquefied natural gas (LNG) terminal to supply fuel for power generation.

**Priority Reform 6:****INCREASING POWER GENERATION**

CoM to support ongoing plans for development of power generation capacity through (a) resolving and providing the necessary public financing to complete ongoing generation projects; and (b) hiring a transaction advisor to initiate implementation of a program to develop new generation capacity by independent power projects (IPPs).

**Priority Reform 7:****ESTABLISHING PUBLIC TRANSPORT**

CoM to authorize and mandate Council of Development and Reconstruction (CDR) as executing agency to prepare and negotiate the Greater Beirut Urban Transport Project.

**Priority Reform 8:****SOCIAL SAFETY NETS**

CoM to scale up the National Poverty Targeting Program (NPTP) by approving the expansion of the electronic-card food voucher, and the necessary budgetary allocation, from the current 10,000 extreme poor households to 15-20,000 extreme poor households; and the Ministry of Social Affairs (MoSA) and the Presidency of the Council of Ministers (PCM) to finalize the updating and renewal of the NPTP database of poor households via a recertification of all beneficiaries currently in the database (110,000 households) and an assessment of new applicants based on the new targeting formula and agreed protocols of assessments and supervision.

**Priority Reform 9:****SOLID WASTE TREATMENT**

Parliament to approve the Integrated Solid Waste Management Law.

**Priority Reform 10:****IMPROVED BUSINESS ENVIRONMENT**

CoM to announce the launch of an accelerated program of business environment reforms through (i) the passage of a Secured Transaction and Collateral Registries law in close coordination with the central bank given its vital role over the banking sector; (ii) reform of the commercial registry and licensing procedures, in particular in the tourism sector; (iii) the passage of the e-signature law to enable dematerialization of regulatory processes; and (iv) the launch of a matching grant program designed to support job creating investments by Micro, Small and Medium Enterprises (MSMEs).

## II. The 100-Day Priorities

### A. Passing a Credible Budget: the Litmus Test

6. **Lebanon is globally unique in that it has not had an official budget since 2005, leaving fiscal policy without an anchor, and development without a vision.** This has prevented necessary reforms that address the country's structurally weak public finances with sizable and growing overall fiscal deficits. Moreover, current spending is projected to grow as a result of increased debt servicing and larger transfers to Electricité du Liban due to pass through effects from rising global interest rates and oil prices, respectively. As a result, the trend for the already sharply elevated debt-to-GDP ratio based on current policies and real GDP growth rates remains unsustainable and is expected to notably worsen. A budget is needed for fiscal policy decisions to be taken (on taxes, public spending, etc.) to restore the sustainability of public finances, to improve the progressivity of the tax system and to increase the efficiency of spending. A budget is also needed to enshrine fundamental development policy choices and charter a vision and a project through a well thought through medium term expenditures framework.
7. **The budget process has been in disarray.** Since 2005, budgets have not been ratified by parliament, while fiscal accounts have not been officially closed since 2003. Spending has been conducted largely through treasury advances and ad-hoc measures. Even prior to 2005, fiscal policy has been missing a medium-term perspective. Furthermore, there is a striking lack of adequate oversight and accountability, including over extra-budgetary entities that receive significant government funding (most notably, the Electricity Company, the Council for Development and Reconstruction, the Council for the South, and the Central Fund for the Displaced). This helps entrench a culture of non-transparency and capture of fiscal policy for geo-confessional and political purposes, creating room for fiscal leakages, inefficiencies and corruption.

*Priority Reform 1:* **The Council of Ministers (CoM) to send to Parliament, and Parliament to pass a budget for 2017 in a manner that upholds constitutional edict and procedure, such that the budget generates a primary surplus.** The primary surplus will send a strong signal that the incoming government appreciates the gravity imposed by the macroeconomic risks. Passing a budget and institutionalizing best budgetary practices offer a high return-to-effort ratio, imparting a much-needed positive shock and allowing the Government to signal to its people and the world its resurrection.

### B. Building Trust

8. **Poor governance and weak institutions are significant constraints that impede the economic and social development of Lebanon.** Institutions are extremely weak, characterized by both inefficiency and corruption. The country suffers from a governance trap, whereby political stability is maintained through subordination of national prerogatives to consensus among sectarian leaders, at the cost of strong institutions focused on the common good. As a result, Lebanon scores poorly on many aggregate governance indicators. For instance, out of 144 countries, Lebanon ranks 118 in irregular payments and bribes, 125 in public trust in politicians and 135 in wasteful government spending.<sup>2</sup> Strengthening governance, institution-building, accountability procurement, and the rule of law can present key ingredients in achieving Lebanon's strategic objectives, from improved service delivery to growth and poverty reduction. Public procurement has received considerable public attention recently, with controversies centered on large tenders related to main sectors (waste treatment, electricity).

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<sup>2</sup> Source: World Economic Forum, Global Competitiveness Index 2016-2017.

Moreover, weak public procurement procedures have enabled elite capture and prevented effective competition between bidders over a certain class of projects tendered out by the state.

*Priority Reform 2: Parliament to ratify the revised Public Procurement Law of 2013.* The law of 1963, which constitutes the legal foundation of Lebanon's current institutional framework for procurement, is excessively centralized, resulting in procurement and execution delays. A revised procurement law originally drafted in 1990, with the latest revisions introduced as recently as 2013, was submitted by the CoM to the Parliament. It was only put on the agenda of a "Combined Committee" for discussion on February 24, 2015. Due to lack of time, the review has been postponed, and the law remains unratified.

### C. Securing a Soft Landing

9. **Lebanon's high debt level, large twin deficits (fiscal and current account) and a highly dollarized pegged economy present significant macroeconomic vulnerabilities.** The country's substantial financing needs are primarily funded by a banking sector whose balance sheet is over three times GDP. Banque du Liban (BdL) ensures that banks keep attracting foreign deposits and that the public and private sectors gross financing needs are met, thereby financing the sizable current and fiscal account deficits. To attract foreign deposits, BdL has introduced certificate of deposits and various subsidized refinancing schemes. To meet the needs of government, BdL is the residual buyer of government debt in the primary and secondary markets. The result is a banking (central bank and commercial banks)-sovereign feedback loop with an amplification effect on systematic macro-financial risks.
10. **One potential risk with such a feedback loop can be a sudden stop scenario, whereby an abrupt confidence shock would lead to a short fall in foreign capital inflows that would become insufficient to meet the country's sizeable gross financing needs, forcing the government to default.** Given Lebanon's large balance sheet vulnerabilities—starting with a banking system with a heavy balance sheet, primarily exposed to the Lebanese sovereign (directly or indirectly through the Central Bank)—said scenario will ripple extremely rapidly through the economy. First, through systemic banking sector bankruptcies (as all banks have broadly the same business model of holding large sovereign paper) and a currency collapse; and second, a deep and prolonged recession in the real economy. People's deposits would likely be partially lost (given the limited assets of the deposit insurance fund), the exchange rate peg would break and economic activity would collapse. The banking-sovereign feedback loop should be gradually diluted; for that to occur, the fiscal deficit needs to shrink sufficiently. While this is a structural, medium-term effort, immediate signaling, in the form of balanced and effective fiscal measures on the revenue and expenditure sides, are critical.
11. **Electricité du Liban (EdL), the national utility company, imparts a staggering burden on Lebanon's public finances.** Prior to the Syrian conflict, transfers to EdL amounted to an average of 55 percent of Lebanon's fiscal deficit. At their peak in 2012 and 2013, the government transferred around US\$2 billion per year to EdL. As the overall fiscal balance has been in deficit since 1992, EdL transfers have been effectively paid through borrowing. Based on annual budget documents, World Bank staff estimate that cumulative government transfers to EdL from 1992 to 2013 account for a staggering 55.4 percent of 2013 GDP, and almost 40 percent of Lebanon's total public debt. That is to say: Lebanon's debt-to-GDP ratio would have been 87.8 percent instead of 143.1 percent (in 2013) if EdL had not been loss making.

***Priority Reform 3: CoM to pass a Decree stating that any increase in power supply from new power generation output would be matched by an automatic and commensurate rise in the average tariff leaving government transfers to EdL unaffected by the rise in output.*** This will mitigate the impact of the increase in capacity on government transfers to EdL, and importantly, establish a link between tariff increases and an expansion in power generation capacity. More than half of respondents to a World Bank's Social and Impact Assessment Survey said that they would be willing to pay double their current budget on EdL electricity in return for 24-hour service. The cost of EdL-supplied electricity would remain far lower than that of privately supplied generators. At the same time, the government can protect the poor segments of the population from tariff increases through direct transfers via the National Poverty Targeting Program (NPTP-see below).

#### **D. Delivering the Essentials**

12. **One of the most flagrant signs of failing governance and the weakening of the social contract between the state and its citizens is the breakdown in the delivery of basic public services.** The key basic services that Lebanon lags behind in are electricity, safe water, sanitation, telecommunication and transportation. These services are not only essential for growth in productivity and aggregate income, but also for ensuring a basic level of living standard for people. When effectively provided, they can have a positive impact on income equality, allowing low income groups access to better and more productive opportunities. Their provision also enhances health and education outcomes, thus improving human capital—a critical driver of growth in high middle-income economies such as Lebanon.
13. **In view of limited capacity and fiscal space for the Government, private sector participation is imperative in key infrastructure development and public service delivery, also helping to foster increased competitiveness, economic growth and job creation.** Toward that end, the enactment of Public-Private Partnership (PPP) legislation is critical, helping to introduce best practices in the selection, preparation, negotiation, implementation and fiscal management of private participation for the delivery of public infrastructure and social services. Currently, PPP initiatives in Lebanon are undertaken on an ad hoc basis with mixed outcomes. A more coordinated approach will send an important signal to domestic and international investors to renew their engagement with the country and improve Value for Money outcomes.

***Priority Reform 4: CoM to pass an updated version of the existing draft PPP law.*** A proper PPP platform, with an effective and enforceable regulatory and accountability mechanism, and one that accounts for fiscal implications can re-invigorate and improve the investment climate and streamline Government-to-Business interactions. Hence, the positive externalities would extend to both the private and public sectors, with job creation and economic activity for the former and expanded and more efficient service delivery for the latter.

14. **Despite EdL's large and subsidized budget, power supply remains inconsistent for 92 percent of households, who need to be linked to private generators.** EdL's production is both inefficient and insufficient, with a generating capacity of 2,019 MW, compared to a peak demand of 3,195 MW. This results in systematic and long daily blackouts, causing the extensive use of back-up private generators at a cost that is three times the level of EdL tariffs. Moreover, whereas only about half of total electricity production costs are recoverable, electricity tariffs have remained unchanged since 1996 (when the price of oil was US\$23 per barrel).
15. **The poor quality of electricity supply is a primary impediment to economic activity.** Development and cost-efficient investment in energy systems is correlated with GDP growth. When electricity supply is frequently interrupted or prohibitively expensive, economic growth slows down or even contracts. Electricity

ranks as a key binding constraint to doing business in Lebanon as the country ranks second worst in the quality of electricity supply in the world (2014–15 World Economic Forum's Global Competitiveness Index).

16. **The failures of the electricity sector also widen inequality in the country.** Inequality is exacerbated as (a) consumers who are not billed are cross-subsidized by taxpayers and EdL customers who pay their bills; (b) consumers who suffer from electricity blackouts must use higher-cost alternatives (private generators for the rich, candles for the poor); and (c) electricity rationing favors the rich at the expense of the poor—poor regions go without public electricity for 12–13 hours every day, while richer ones such as Beirut are subject to 3 hours of daily blackouts.

*Priority Reform 5: CoM to issue a tender package for a liquefied natural gas (LNG) terminal to supply fuel for power generation.* Currently, most of the power generation capacity in Lebanon depends on expensive liquid fuels, whereas LNG imports provide a less expensive, more efficient and less polluting alternative. Moreover, gas infrastructure, which is currently completely lacking has strong implications on offshore gas extraction.

*Priority Reform 6: CoM to support ongoing plans for development of power generation capacity through (a) resolving and providing the necessary public financing to complete ongoing generation projects; and (b) hiring a transaction advisor to initiate implementation of a program to develop new generation capacity by independent power projects (IPPs).* It is imperative for EdL to increase its generation capacity to reduce rolling blackouts and increase energy supplies for residential, commercial and industrial customers, and with that it can justify tariff increases.

17. **Lebanon's endemic traffic congestion problem is estimated to cost the economy no less than 8 percent of GDP annually.** Road transport is by far the most dominant form of transport in Lebanon for passengers, freight and commerce, with about 1.2 million vehicles in a country of only 4.5 million people. Its footprint is apparent on national energy consumption: road transport accounts for 25 percent of all energy consumption in the country. Compared to other countries, Lebanon's supply of vehicles, defined as the number of vehicles per 1,000 people, is extraordinarily high. A primary and immediate step toward tackling Lebanon's chaotic traffic is with the enforcement of already existing laws. This would have an instantaneously tangible positive effect on the citizen, reinforcing the role of the state in what is a very observable, low cost (in fact, revenue generating) measure.
18. **Tackling Lebanon's traffic logjam problem efficiently and structurally can only be with the introduction of a reliable, affordable and efficient public transport network.** Traffic congestion and high transport costs are having huge detrimental effects on the development of lagging regions and are forcing the population to move closer to employment and services in Beirut. This dynamic has the dual effect of exacerbating congestion in Beirut and increasing poverty in the regions. While some highway expansions at key bottlenecks are needed, the past policies to continue highway and bridge expansions are financially and economically unsustainable, and will only provide temporary solutions at select areas since most of the road network is already saturated.
19. **Given a near-complete absence of public transportation in Lebanon and the lack of fiscal space, an economically feasible starting point would be a public-private sector scheme for a Bus Rapid Transit (BRT) network.** The concept involves allocating exclusive lanes on roads and highways for public buses bypassing typical traffic bottlenecks. These would be gradually rolled out from one region to another as additional resources materialize and as benefits become more tangibly perceived by the public. It would also heavily involve the private sector, especially in financing, construction and operation phases, helping to generate jobs.

**Priority Reform 7: CoM to authorize and mandate Council of Development and Urban Transport Project.** This would establish a BRT within Beirut as well as between Beirut and Tabarja, with extension of services to Byblos and Tripoli. The operation of the BRT and **Reconstruction (CDR) as executing agency to prepare and negotiate the Greater Beirut** feeder bus networks will involve the private sector boosting job creation. The project will also institute a feeder bus network in Greater Beirut.

## E. Empowering the Poor

20. **Even prior to the onset of the Syrian conflict and the inflow of large numbers of Syrian refugees, poverty in Lebanon was significant.** The most recently completed Household Budget Survey (HBS 2011-12) shows that poverty in Lebanon was 27 percent (pre-Syrian crisis), which implies that about one million people had levels of consumption below the annual poverty line set at LBP4.7 million per capita per year (US\$3,150), the equivalent of approximately US\$8.5 per day. Similarly, it is estimated that extreme poor (i.e. below the food poverty line) Lebanese individuals live on LBP3.1 million per year (US\$2,078), the equivalent of approximately US\$5.7 per day. The Syrian conflict is estimated to have increased poverty among the Lebanese population, pushing an additional 170,000 people into poverty in 2014 and making those already poor even poorer.
21. **Social safety nets (SSNs) can help reduce poverty when they are effectively targeted and adequately resourced.** Currently, poor households rely primarily on assistance from private sources—welfare institutions, NGOs, remittances, etc. The Government spending on non-subsidy SSNs does not exceed 1 percent of GDP and fails to target the poor effectively. If electricity subsidies and, in particular, transfers to EdL, are included as part of Lebanon’s SSN for the Lebanese poor, then spending on SSNs increases dramatically to above 5.6 percent of GDP. However, EdL transfers are not targeted and subject to high leakages, and hence are not an efficient use of public funds.
22. **The National Poverty Targeting Program (NPTP), launched in October 2011, is Lebanon’s first poverty-targeted social assistance program.** Its objective is to reach extreme poor households, defined as the 8 percent poorest segment of the population, which is approximately 42,000 Lebanese households. With significant progress and achievements accomplished since its establishment, the NPTP today nevertheless has reached a point where important reforms need to take place. These include: (i) a review of the social assistance provided with a view to transfer the hospitalization and basic education benefits to the Ministries of Public Health (MPH) and Ministry of Education and Higher Education (MEHE), respectively, and focus NPTP resources on expanding and enhancing the electronic-card food voucher program (and possibly a conditional education benefit for secondary and vocational education); (ii) renewal of the NPTP targeting database to reduce the leakages (i.e. number of in-eligible households from current 110,000 to 42,000); (iii) reduce inefficient program expenditure and adequately resource the program to finance the expanded e-card food voucher; and (iv) introduce a “graduation from poverty” component for beneficiaries via linkages to employment and skills upgrading opportunities.<sup>3</sup>

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<sup>3</sup> The e-card food voucher today only reaches 10,000 households due to budgetary constraints, while the education and health benefits reach many more, a significant portion of whom are ineligible. So the idea is to recertify everyone which would reduce the number of education and health beneficiaries, and then scale up the e-card food voucher to as many of these guys as budget is available. We propose to aim for at least 15-20,000 households.

*Priority Reform 8:* CoM to scale up the NPTP by approving the expansion of the electronic-card food voucher, and the necessary budgetary allocation, from the current 10,000 extreme poor households to 15-20,000 extreme poor households; and the Ministry of Social Affairs (MoSA) and the Presidency of the Council of Ministers (PCM) to finalize the updating and renewal of the NPTP database of poor households via a recertification of all beneficiaries currently in the database (110,000 households) and an assessment of new applicants based on the new targeting formula and agreed protocols of assessments and supervision.

## F. Shaping a Breathing Space

23. **Environmental degradation incurs high economic and social costs in Lebanon as well as immeasurable health effects.** The three most pressing issues are water pollution, inappropriate waste management and the destruction of natural resources. Water pollution threatens public health and agricultural productivity, while inappropriate management of waste impacts public health and damages the quality of life. Meanwhile, the progressive destruction of Lebanon's natural resources (its mountains, coastline, lakes, rivers and forests) poses irreversible damages. In fact, the World Bank estimates the environmental damage related to only five quarries at over \$90 million. There are more than 700 quarries scattered with little consideration to the environment.

*Priority Reform 9:* **Parliament to approve the Integrated Solid Waste Management Law.** In April 2012, the Council of Ministers approved Decree 8003 on Integrated Municipal Solid Waste Management, which has been awaiting parliamentary approval since. The Draft Law promotes an integrated and proper management of municipal waste by encouraging waste minimization, source separation, recycling, energy recovery, effective treatment facilities, etc. An immediate approval by Parliament of the Draft Law is a first and essential step in setting the overall legal framework governing municipal waste management.

## G. Working and Accessing Finance

24. **In Lebanon, job creation has trailed labor force growth with employment opportunities concentrated in low productivity activities.** Data analysis suggests that most job creation has been in low productivity sectors, especially trade, real estate and tourism, while only about one in three labor force participants have a formal sector job. Moreover, since foreign labor dominated low skilled (less productive) activities, high GDP growth rates have not translated into significant job creation for the Lebanese. In fact, the long-run employment-growth elasticity is estimated to be 0.2, much lower than an estimated MENA average of 0.5. Thus, relatively low productivity activities dominated employment growth, while growth in productive activities such as communications, financial services, agriculture and manufacturing was marginal. Without more and better earning opportunities, households in Lebanon have difficulty in achieving substantial welfare improvements.
25. **The business climate offers little support to private investment growth and competitiveness improvements.** Both the Global Competitiveness (GC) and the Doing Business (DB) reports place Lebanon at low rankings—101 out of 138 countries in the former and 126 out of 190 economies in the latter. In the GC report, only Egypt (115) and Yemen (138) ranked lower from the MENA region, with Lebanon's performance particularly weak in core components: institutions (including legal and administrative framework within which government and the private sector interact), infrastructure, macroeconomic environment and labor market efficiency. As for the DB report, the only MENA countries with a lower ranking than that of Lebanon are Algeria, Iraq, Libya, Syria and Yemen.



***Priority Reform 10:*** CoM to announce the launch of an accelerated program of business environment reforms through (i) the passage of a Secured Transaction and Collateral Registries law in close coordination with the central bank given its vital role over the banking sector; (ii) reform of the commercial registry and licensing procedures, in particular in the tourism sector; (iii) the passage of the e-signature law to enable dematerialization of regulatory processes; and (iv) the launch of a matching grant program designed to support job creating investments by Micro, Small and Medium Enterprises (MSMEs). These reforms aim to reduce the regulatory burden on businesses as well as improve access to credit for MSMEs, which dominate in the Lebanese economic landscape and are primary engines for job creation.

### III. Medium-Term Priorities

#### A. Making Government Work

26. **Governance is at the root of Lebanon’s failure to deliver basic services and generate inclusive growth and jobs.** Internal failures stemming from corrupt and inefficient practices conflate with external security and political shocks to become mutually reinforcing and pervasive constraints on development, imposing a heavy burden on the economy. For example, the cost of confessional governance is estimated at 9 percent of GDP annually. Influence of economic stakeholders and personal connections are likely to impact policy execution and enforcement of the rule of law. Thus, elite capture and corruption is endemic undermining development objectives. Similarly, the cost of the conflict and violence is large and recurrent. These include the (i) 1975-1990 civil war that halved the country’s economy; (ii) the 2006 conflict with Israel which resulted in estimated direct damages of US\$2.8 billion, and US\$700 million in indirect damages, or (iii) more recently the Syrian conflict which is estimated to have cost the Lebanese economy US\$7.5 billion in foregone output and widened the fiscal deficit by US\$2.6 billion through 2014. As such, a structural improvement in governance will not only provide typical returns reaped by other countries, but for the Lebanon-specific case, it will also reinforce resiliency to external shocks to which the country is frequently exposed. Toward that end, the following medium-term reforms are emphasized.
27. **CoM to complete public consultations over the draft 2014 Decentralization Law and Parliament to pass it.** Decentralization reform is essential to strengthen the delivery of sustainable services at the local level and encourage economic growth. In 2014, a Draft Decentralization Law was presented for public consultation, however, due to the political stalemate there has been no progress on its passage. The current unpredictable character of intergovernmental transfers makes it very difficult for municipalities to plan infrastructure and service improvements that encourage local economic development. Crucially, decentralization reform should include a restructuring of the fiscal transfer system, which will provide localities with sufficient resources and a clear delineation of roles between the central and local governments. As a result, investments will be more efficient and could be targeted towards promoting the healthy growth of businesses and increasing employment opportunities for communities.
28. **The Government to see the implementation of the Public Procurement Law of 2013.** Three interventions would be needed to implement the public procurement reform efficiently: (i) empowering the Central Tender Board (CTB) as an independent regulatory body; (ii) public procurement capacity building by the Institute of Finance; and (iii) moving towards e-procurement at CTB.
29. **The Government to boost Public Financial Management (PFM) capacity in budget planning, preparation and execution to ensure efficient allocation of resources and improved service delivery.** The PFM system suffers from several constraints that hinder its proper functioning, weaken its transparency and result in an inefficient use of public resources. As a result, unproductive spending and fiscal leakages are significant and widespread, and crowd out effective social safety net programs and improvements in living conditions for the population. Specific measures include:
- CoM to submit a credible, universal budget that incorporates extra budgetary entities (i.e., the Council for Development and Reconstruction, Council for the South, and the Central Fund for the Displaced) to Parliament in a timely manner to ensure its approval before the end of the fiscal year;
  - Ministry of Finance (MoF) to finalize the production and reconciliation of the government’s financial statements for the years since the end of the war and submit them to the Court of Accounts for audit;
  - Revamp and revitalize a national PFM steering committee to include MoF, BdL, line ministries and key oversight entities. The PFM steering committee would update the authorities’ medium-term PFM reform strategy, endorse the output and oversee its implementation;
  - Develop appropriate coordination mechanisms between the PFM steering committee and development partners;
  - MoF to set up and empower critical functional PFM teams and units in the MoF (e.g. pilot internal audit, macro-fiscal department, public debt department, etc.).

## B. Plugging the Information Gap

30. **Adopting proactive disclosure measures can help mitigate corrupt practices by limiting discretionary opportunities for public officials and increasing accountability.** In Lebanon, data availability and access to information appear as a cross-cutting constraint that impacts evidence-based policy making and impedes an informed population. Specific measures include:
- Parliament to ratify the access to information (ATI) law;
  - Make publicly available records on private and public land holdings through the MoF General Directorate on Land Registry and Cadastre. MoF could issue a communication announcing this policy;
  - Publication of judicial decisions on the website of the Ministry of Justice;
  - Create a single consolidated database of audited financial statements, to be accessed by financial sector institutions and tax administration, in coordination with the Lebanese Association of Certified Public Accountants.
31. **Major deficiencies exist in Lebanon’s micro and macro data.** The weakness of the statistical system is widespread and impedes economic analysis at the macroeconomic and sectoral levels. These deficiencies include: (i) the lack of regular information on the development of labor markets and living conditions of households—the latest household budget survey was conducted before the Syrian crisis and suffered from a large non-response rate; (ii) weak balance of payments (BoP) statistics issued with a long lag and subject to sizable revisions—for an economy that is heavily dependent on the external sector in general and capital inflows in particular, timely and accurate BoP data is essential for macroeconomic risk mitigation; (iii) weak inflation statistics; and (iv) long delays (up to three years) in the release of annual national accounts. Meanwhile, Lebanon frequently faces significant shocks, especially since 2011, and adequate policy measures require regular and high quality data.
32. **The Government to enhance capacity of both the Central Administration of Statistics (CAS) and the Balance of Payments (BoP) unit at BdL to collect and disseminate regular high quality data by providing sufficient resources and securing their mandates.**

## C. Breaking the Debt Chain

33. **Fiscal reforms need to be undertaken to reduce public debt ratios from being of the highest in the world to sustainable levels, thus generating widespread positive macroeconomic externalities.** In such as case, the afore-mentioned risk-amplifying feedback loop (see paragraph 10) would be supplanted with a confidence-reinforcing one; as the country’s risk premium decreases, reflecting a reduced likelihood of default, the debt service would fall, which in turn further lowers sovereign risk. In addition, reduced financing needs in foreign currency will help boost confidence in the peg. Toward that end, tax reforms can be an effective tool. Currently, Lebanon’s revenue generation is regressive in nature,<sup>4</sup> while tax collection relative to GDP has been receding lately.<sup>5</sup>
34. **BdL to gradually streamline lending to real economy focusing more on monetary and financial stability.** This would be in tandem with a gradual improvement in the country’s fiscal position, allowing the government more responsibility over real economy issues. The process should also include a more market-based interest

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<sup>4</sup> On average, since the start of the millennium, over half of budget revenues were generated from taxes on goods and services (largely consisting of the Value Added Tax) taxes on international trade (customs, as well as excises on gasoline, car and tobacco) and administrative fees and charges applied on various governmental services offered to the public. Meanwhile, direct taxation, property taxes and revenues from public institutions and government properties accounted for a bit over 40 percent of budget revenues.

<sup>5</sup> In 2015, tax revenues amounted to only 14.7 percent of GDP, compared to an average over the previous decade of 16 percent.

rate determination, by making commercial bank's bidding over central bank and government instruments a more competitive, more transparent process.

#### D. The Dream of 24/7

35. **CoM to approve and implement a multi-year electricity tariff cost-recovery plan for EdL over a 3-year transition period.** EdL's tariff has not been revised since 1996 and is thus far below cost-recovery levels, exacerbating the fiscal burden on government which covers the utility's revenue gap. Any tariff increases, however, need to be phased in to coincide with increases in hours of electricity supplied by EdL to show its customers tangible results commensurate with the larger bill. Importantly, tariff increases should also include an effective lifeline block helping to protect low income consumers and/or cash transfers. Taken together, this would improve sector financial conditions without increasing the fiscal burden on public finances, while also generating public support or at least minimizing public resentment.
36. **CoM to approve the corporatization of EdL and create an inter-Ministerial committee to develop and implement a time-bound corporatization plan.** Reforms of EdL's operation are a key aspect that have been outstanding for a long time, and the government has already completed multiple studies that form the basis of the identified corporatization plan. EdL's corporatization is expected to increase efficiency of sector operations and reduce its running costs. The governance framework should be designed carefully in order to maximize transparency and accountability avoiding the all too often Lebanese elite capture scenarios.
37. **The Ministry of Energy to complete implementation of approved development plan for natural gas supply by developing new LNG supply and infrastructure facilities, liquefied natural gas importing infrastructure and plan to explore and exploit off-shore domestic gas resources.**
38. **The Government to aim towards meeting and expanding the target in the 2010 energy plan for renewable energies and green growth.** Evidence suggests that Lebanon is especially exposed to large vulnerabilities from climate change with the poor disproportionately affected. The estimated impact of climate change on Lebanon is encompassing and costly (estimated at US\$ 1.9 billion by 2020 in a first of its kind analysis for Lebanon released this year by Ministry of Environment/UNDP). A green growth and low carbon emissions development strategy for Lebanon could also be an opportunity for job creation.
39. **Water storage capacity should expand in order to boost resilience to natural (i.e. drought) and man-made (i.e. refugees) shocks.** Despite Lebanon's relatively high per capita water endowment,<sup>6</sup> inadequate management of and investment in the sector are leading to chronic supply shortages. There is a seasonal mismatch between water supply (at its peak in the rainy winter) and demand (peaking in the hot, dry summer months). One of the principal factors that is exacerbating this seasonal water imbalance is the very low water storage capacity (6 percent of total resources, compared to the MENA average of 85 percent). As a result, water supply services are below the levels expected in a middle income country. If no action is taken, including in water governance to improve efficiency and manage demand, the country will continue to depend in the long-run on mined groundwater.

#### E. Toward A New Social Model ...

40. **A new social model needs to be developed and implemented between the Government and the Lebanese citizen, particularly for the poor and low-middle income segments of the population.** The main elements of such a model need to include: (i) a higher quality of public education; (ii) universal health coverage; (iii) a pension system for private workers (in lieu of current end-of-service indemnity system); (iv) an affordable, equitable and predictable public pension system; and (v) an effective and institutionalized social safety net system.

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<sup>6</sup> Lebanon is the fourth best-endowed country in water resources in the MENA region.

41. **Education. Inefficiency and inequality characterize the education sector in Lebanon.** Education is an investment with good returns in Lebanon as higher educational attainment corresponds to higher earnings in the labor market. Private spending on education is high and significantly exceeds public spending, which means that households carry the largest financial burden of education. In the public sector, teacher salaries represent 82 percent of the total public expenditure on education. Actual teacher workloads are low, resulting in additional spending and reduced productivity. In addition to these inefficiencies, there is inequality of opportunity in terms of access to quality private and public schools; large amounts of money are spent on relatively low returns particularly in the public sector. Finally, the education information system is neither institutionalized nor integrated. This causes a lag in the collection of data from schools, resulting in a decreased ability to plan, specifically, to make data-based decisions and to measure the impact of policy initiatives.
42. **A new teacher law is needed to end the two-tiered public teacher workforce and make the teaching profession more attractive to high-skilled individuals.** There is need to create a smaller, higher-quality teacher workforce, including selecting among the most qualified of the contractual teachers. To advance the quality of public education, improving teacher quality through reforms in teacher recruitment and professional development is at the core. This can be done in part through reforming teacher recruitment processes and requirements and through continuous professional development and performance-based incentives for teachers. The law would also likely need to address teacher salary scale and working hours for civil servants at the same time. This could include the requirement to re-certify teacher accreditation every five years in order to remain in the system, as well as incentives for teaching high-need subjects or in high-need geographic areas. Furthermore, in order to reduce inefficiencies in teacher allocation, the Ministry of Education and Higher Education (MEHE) needs to re-allocate teachers away from low-student-population schools and toward higher-density schools in order to increase the efficiency of the teacher workforce.
43. **There is a need for a new law to establish an internal audit department at MEHE to increase transparency and accountability for spending.** Improving execution, efficiency and transparency of budget implementation in MEHE, as well as data collection and publication is imperative. This assumes a particular significance since MEHE has one of the largest budget allocations compared to other ministries and is the recipient of large amounts of donor funds to implement its Reaching All Children with Education (RACE) strategy. The law could be coupled with the publication of detailed budgets on MEHE's website and a revision of the accounting department function and structure to create a properly staffed budget preparation unit.
44. **Cabinet of Ministers to issue a decree requiring (i) that essential data on student enrollment be made publically available by March 1 of each school year; and (ii) that data on student pass rates and achievement be made publically available by August 31 for the school year ending in June.** This will help improve access to reliable information for decision-making.
45. **Health. Over reliance on direct payment for health services at the time when people need care is pushing many into poverty.** Lebanese households share the burden of out-of-pocket expenditures disproportionately with some households being pushed into poverty as a result of paying for care. The obligation to pay directly for services, is subjecting a large proportion of the Lebanese population to financial hardship, even impoverishment, especially among the poor. As such, financial protection is quite low, and there are inequities in the use of health services. Only 47 percent of Lebanese citizens are insured under three main insurance schemes: about 23 percent are covered by the National Social Security Fund (NSSF), 9 percent by military schemes, 7 percent by private insurance, 4 percent by the Civil Servants Cooperative (CSC) and 4 percent by other schemes. The remaining 53 percent lack any formal coverage, and are covered by the Ministry of Public Health (MoPH), which serves as an 'insurer of last resort'. At the same time, Lebanon's public expenditures on health have been decreasing as a share of GDP, falling from 3 percent in 1995 to 1.7 percent in 2011 (putting it well below the global and MENA averages). Meanwhile, private health spending, while regressing from 7.7 percent to 4.9 percent, is nonetheless significantly above the global average.
46. **CoM to expand the current Universal Health Care (UHC) program to cover more Lebanese living under the poverty line.** Currently, the MoPH is building the capacity of 75 out of the 208 Primary Health Centers (PHCs) and subsidizing the care for 150,000 Lebanese living below the extreme poverty line with a well-defined package of health services. However, additional resources are needed to expand this program to cover all poor Lebanese identified as extreme poor through the National Poverty Targeting project (NPTP) and to expand the PHC Network beyond the 208 centers. The expansion of this program should also entail expanding the package of care to cover additional services for the treatment of other priority non-communicable diseases, as well as services that are targeting the health needs of the elderly. This requires an increase in budget allocation towards

PHC services within an overall increase in the Government's budgetary allocation for the health sector, and a fast track plan to build the capacity of services providers.

47. **CoM to appoint a new Board of Directors of the National Social Security Fund (NSSF).** The original mandate for the NSSF board has long expired and is instead being extended on a periodic basis. Simultaneously, the fund is facing significant budget deficits and has been accumulating large arrears with hospitals and individual subscribers. Ensuring adequate health provisions for retired workers and their families is vital and hence reform of the Sickness and Maternity Branch of the NSSF is needed. Sustainable health protection coverage can be achieved through the creation of broad risk pools. For this reason, the inclusion of retired workers into social health insurance for employees would be superior to creating a separate health insurance fund for retirees.
48. **Private Sector Worker's Pensions. A fresh review of already submitted proposals for the design of a new scheme for private sector employees is urgently needed followed by agreement and implementation of the most adequate proposal.** Several reform suggestions have been prepared over the past 10 years and draft legislation is in Parliament. Currently, private sector employees are not covered by a pension scheme, but can only receive, if covered, a lump-sum payment (end-of-service-indemnity) which is not adequate and leaves them vulnerable at old age (especially that their health insurance also terminates at retirement).
49. **Public Sector Worker's Pensions. Lebanon's public-service pension arrangements are a very large and growing financial burden on the national finances and on the country's taxpayers.** Their cost amounted to LBP1.9 trillion in 2013, equivalent to 2.7 percent of GDP or 8 percent of total government expenditure, but reached only 9 percent of the labor force (military and civil servants). Yet, all workers pay into this mechanism through taxes on their incomes and consumption. The opportunity cost of this expenditure is readily apparent when compared to public spending on health and SSNs, which amount to only 1.7 percent of GDP and negligible, respectively.
50. **A commission on pension reform to be constituted to review alternative scenarios of putting the public pension scheme on a sustainable path, considering 3 options:**
  - Smaller, slower reform: Gradual move from final to lifetime-average earnings measure to calculate pensions (year-by-year); phased reduction in benefit accruals from  $\frac{1}{40}$ ths to  $\frac{1}{50}$ ths of salary (2.1 percent to 1.7 percent); and gradual elimination of multiplier for military.
  - Middle scenario: Reduction in lump-sum payments for more than 40 years of contributions (cutting spending from 14 percent to 9 percent of total); and reduction in allowances for military pensioners (from 40 percent to 20 percent of total pensions for new retirees).
  - Larger, faster reform: Price indexation of pensions in payment; tighter conditions for survivors' benefits (single or divorced daughters); and reduction in survivors' payments from 100 percent to 80 percent of the deceased's benefits.
51. **Social Safety Nets. Parliament to institutionalize the NPTP program as a permanent feature of Lebanon's social safety net system by passing the "Extreme Poverty Law - Afaal", which was presented to Parliament by MP Robert Fadel in February 2015.** This would establish a program to provide conditional cash transfers to poor Lebanese building on and incorporating the NPTP. More broadly, it would constitute a significant step in the development of Lebanon's social safety net system, providing a more sustainable solution to eliminating extreme poverty in Lebanon.

## F. ... Growth for All ...

52. **Lebanon's growth model has been heavily dependent on non-productive, rent-seeking sectors that have exacerbated external imbalances without generating enough jobs.** As highlighted earlier, a particular concern is macroeconomic risk emanating from the country's dependency on inflows to finance persistent and sizable twin (fiscal and current account) deficits. Lebanon possesses untapped possibilities using local resources and talents that will go some way in mitigating this dependency. Industry and Information and Communication Technology (ICT) are two sectors that have been long neglected and that can be important sources of job creation for skilled labor, an outcome that has evaded post-war Lebanese growth. They would also be a step

toward sustainable growth since such sectors are less prone to external shocks compared to Lebanon's traditional drivers—tourism and real estate. Furthermore, human and financial capital can be tapped locally, while the export market is a realizable potential, enfeebling the dependence on capital inflows, attracting green field FDI and lessening balance of payments risks. Such a vision is necessary for Lebanon to exit a socially and economically unsustainable model, whereby human capital is exported in return for inflows that finance rent-seeking activities that aggravate imbalances. In this context, Lebanon needs to focus on its industrial and high-tech potential, providing solutions to the numerous constraints that are hindering the functioning of these sectors at their full capacity.

53. **Spatial industrial policies, most notably, industrial parks and special economic zones (SEZs), can support increased investment and competitiveness in the industrial sector.** Special care should be allotted to fiscal incentives which evidence suggest are ineffective as a source of differentiation, with the end result merely an increasing 'race to the bottom' and transfer of rents from governments to private investors. Under suitable conditions, industrial zones have proven successful in various locations and industries across the world, which make them an attractive tool in Lebanon.
54. **Two such projects are being undertaken in Lebanon: the Tripoli Special Economic Zone (TSEZ) and a pilot project by the Ministry of Industry (MoI) for three locations (Baalbek and Terbol in Bekaa, and Jleileye in Shouf).** The former is at a more advanced stage, while the MoI project is still at the feasibility stage. The TSEZ, however, includes an extremely generous set of fiscal incentives<sup>7</sup> in addition to labor regulatory incentives that can distort incentives toward the geographical relocation of business, rather than promoting the expansion or generation of new operations.
55. **CoM to revise and update the Telecommunications law and the regulatory framework.** The current law was passed in 2002 and is based on the 1995 European regulatory framework. Since then, market and technological developments incited most developed countries to revise, more than once, the telecom legislation. The government can initiate the revision of the Law, along with the related regulatory framework to account for convergence in infrastructure and services, the emergence of new services and business models and the overall changes in the global telecommunications market.
56. **Restructuring of the Ministry of Telecommunications and Liban Telecom is essential toward a more dynamic ICT sector.** A primary objection would be to achieve functional separation between policy making and operation/ownership within the Ministry, thus enhancing the performance of the operation of the fixed network. Currently, while fiber optic infrastructure is available, it remains inoperative due to internal disputes and ad-hoc governance arrangements depriving the country of faster and more reliable services. Additionally, the development of the sector is hindered by a lack of functional separation involving ownership of infrastructure, regulations and policies, and decision making on investment and network planning. The separation between these functions would encourage private sector investment in the sector and provide more transparency and objectivity in policy-making.

## G... And Jobs at Home

57. **Job creation will be aided by reforms that improve the business climate.** While there have been no substantial reforms across any of the key component measures that make up the Doing Business (DB) score since 2007, reform initiatives have been in the pipeline in key areas such as business regulation streamlining, extending credit to SMEs and insolvency resolution. These are reforms that can be implemented promptly given their current readiness which could, in turn, have a significant impact on SME start-up and growth and job creation. Limitations in these areas constrain the potential in areas where Lebanon does much better such as in business sophistication and innovation. Toward that end, the following have been identified as key reforms:

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<sup>7</sup> This includes (i) 100 percent customs exemption on imported raw material; (ii) duty free export of finished goods; (iii) duty free import of construction material, equipment, office machinery and spare parts; (iv) 100 percent exemption on VAT and excise tax for goods and services destined for exports; (v) 100 percent exemption on corporate profit tax (provided that not less than 50 percent of the workforce is Lebanese and the value of fixed assets or capital is greater than USD 300,000); (vi) 100 percent exemption on withheld tax on salaries for employees of tenants and on social security contributions; (vii) 10 percent exemption on building permit fees and built property tax; and (viii) 100 percent exemptions on shares and bonds issued by companies within TSEZ.

- CoM to pass the Insolvency and Insolvency Practitioners draft law that is currently pending.
- The Government to reduce the burden of customs procedures. Both, the GC and DB reports rank customs procedures in Lebanon below the country's aggregate score.
- CoM to pass the Judiciary Mediation Law currently pending. This would reduce the heavy burden on the court system, providing an alternate global best practice to resolving commercial disputes.
- Parliament to pass a high quality competition law. The law should establish competent competition authorities; review the legal framework for public land allocation, customs operation and public procurement to increase transparency and reduce discretion; review the legal framework regarding conflict of interest. A draft competition law has been in existence since 2008.
- Extending the Prime Minister's decree #246 related to the establishment of the Commercial Registry committee to oversee the implementation of the commercial registry one stop shop for the coming two years. This will accelerate the process of the commercial registry one stop shop implementation and ensure that the reform is implemented in accordance with best international practices and addresses private sector needs by providing efficient government to business services.

## H. The Refugee Crisis: Creating Opportunities

58. **The Syrian conflict and the ensuing influx of an unprecedented number of displaced persons into Lebanon since 2011 has created tremendous pressure on the Lebanese economy, social sectors and infrastructure.** In its sixth year, and with little short term prospects of an end to the conflict in Syria, the strain on Lebanon is clear. The international community's response has been significant but is not sufficient to match either the needs of the refugees nor those of the hosting communities. Going forward, the following suggestions are provided:

- The Government to continue to implement plans to provide access to schools, primary health care centers and hospitals, social development centers and other public services to refugees, while seeking and insisting on more international financing assistance to finance this increased demand.
- The Government to employ a two-pronged approach to increase job-creating investments which will create jobs for Lebanese as a priority and refugees from Syria in the sectors where labor regulations allow. The first prong to consist of a national level labor-intensive public infrastructure program that creates jobs for the large unskilled and semi-skilled labor force in Lebanon. The second prong is job creation through the private sector that can include matching grant programs conditional on job creation. It is also key to implement adequate active labor market policies to ensure vulnerable groups access those jobs.
- Taking advantage of concessional financing to effectively implement programs that address Lebanon's long-standing development needs, while at the same time, help mitigate the impact on the refugees.

