

Bloc National Libanais

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Socio-Economic Plan 2009-2013 ***Reposition Lebanon as a Regional Leader by 2020***

Introduction

Up until the time of the assassination of the former Prime Minister Mr. Rafic Hariri, Lebanon enjoyed relatively robust economic activity, which allowed for the replenishment of reserves, an increase in GDP growth rates, an upsurge in the liquidity of the financial sector, and through swaps and Paris II soft loans, a reversal of the debt dynamics for the first time since the mid 1970s.

March 14, 2005 is characterized as the beginning of the Lebanese Cedar Revolution, but it has become a turning point – to the worse - both at the economic and security levels. Political assassinations, explosions, road closures turned violent and disruptive, protests, and even short-lived wars, drew economic activity to a standstill yielding for a couple years close to zero percent economic growth. The belief in the resilience of the Lebanese economy was vindicated with unexpected growth in relatively less turbulent periods but this belief has been shaken at times and vulnerabilities exposed.

Over the past few years, Lebanon has been hit extremely hard by external and internal shocks the country played no role in instigating. After historic record-breaking international summits – Paris II and Paris III – which Lebanon was not permitted to capitalize on, the country and its economy were held hostage to a political gridlock – a proxy to a regional stalemate - that culminated in violent incidents driving away any potential investor to alternative markets. The May 7 Attack on Beirut came almost a year after the Naher al Bared month-long war with *exported* terrorism and two years following the 33-day destructive war of 2006 that killed and injured thousands of innocent Lebanese and inflicted material losses estimated in the billions of dollars and spurred the largest exodus of skilled and young Lebanese since the 1975 War.

So far in 2009, Lebanon has not only been the victim of violent outbursts but the economy is now facing a Global Economic Crisis during a period of national paralysis that is expected to last until the election season is over and a new government is formed.

The economic challenge is large but it is surmountable assuming a well constructed plan is implemented and political commitment is present. The National Bloc believes that its Socio-Economic Plan will help carry Lebanon from its current stagnant situation hampered by years of political deadlock fueled by violent blackmails to a vibrant reenergized economy, once again a regional leader by 2020. The National Bloc does not claim ownership of every measure or idea it presents in the Plan, as some have been debated by previous governments, albeit without being implemented. The Bloc does however build on *ad hoc* measures, propose new concrete measures,

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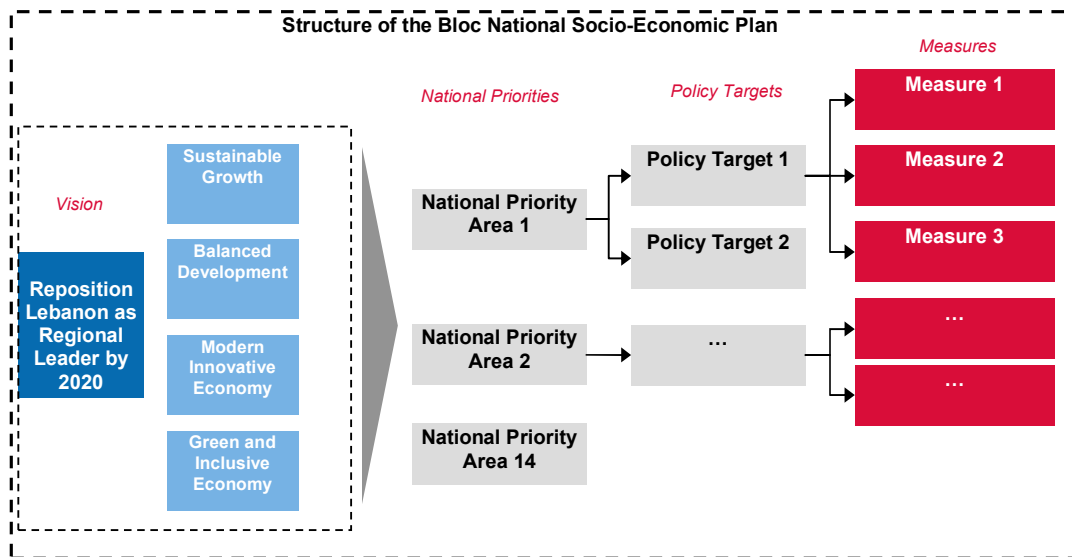
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and integrate them into a comprehensive plan derived from a Strategic Vision the party lays out for the country.

However, economic development should not await the finalization and full implementation of a comprehensive plan. Short and medium term measures such as eliminating waste, fighting corruption, or implementing already approved projects, can make an immediate and significant change for the better and set up an enabling framework to roll-out an integrated socio-economic plan for Lebanon.

Again, and as underscored in previous plans presented by the National Bloc, for this or any other plan to succeed a number of prerequisites must be adopted *a priori*. Firstly, the government, which must have full sovereignty over all its territories, should be committed to economic reform, institution building, and transparency. A government must be allowed to govern whereby the majority rules and the minority stands in the opposition with the watchful eye of an efficient and independent judiciary. Political reform, starting with a modern election law intended to limit confessionalism and *clientelisme* is a passage to a more secular and democratic society built on the principle of checks and balances. Moreover, any post-election government should be bulging with credible and competent decision-makers and be given free reign to reform, restructure, and rebuild the economic and legal infrastructure of the country.



The four pillar objectives of the Socio-Economic Plan are:

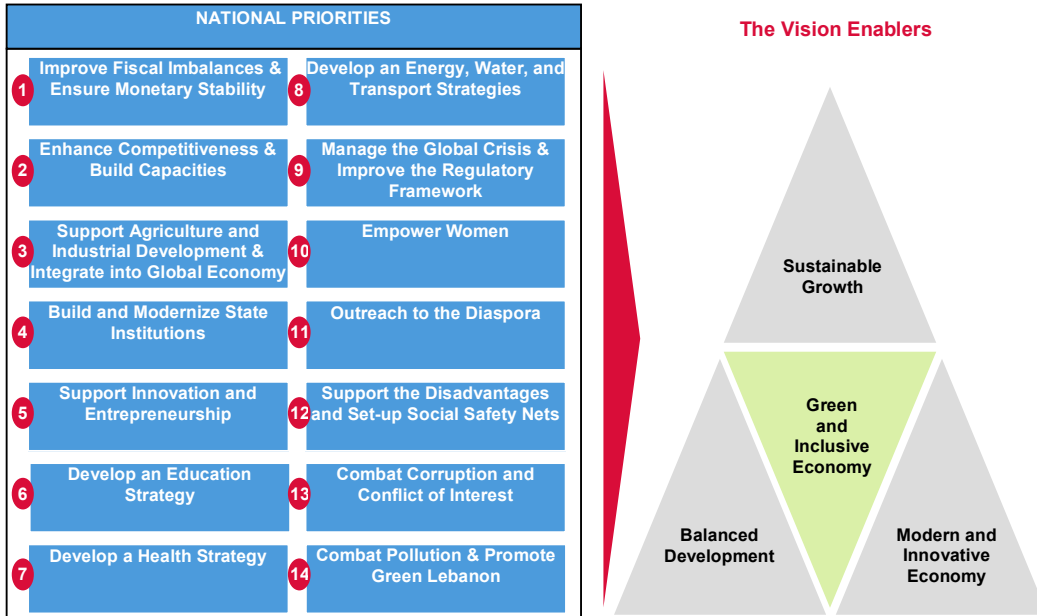
1. Spur and sustain economic growth;
2. Promote balanced development and ensure a more equitable distribution of wealth;
3. Modernize the economy;
4. Work for a green and inclusive national economy that empowers and protects all segments of the population.

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Accordingly, fourteen (14) national priorities, forty-two (42) policy target, and two hundred and six (206) select measures, are identified as the vehicle to achieve the set goals and help place Lebanon on a sustainable growth path and reposition it as a regional leader by 2020.



The National Bloc Party is encouraged to observe, for the first time in Lebanese history, political entities seeking public support based on an economic and political platform where in 2005 the National Bloc was the only party nationwide to present in a full-fledged socio-economic plan as part of its election platform. Much like 2005, the National Bloc is ready to debate its Socio-Economic Plan and engage interested parties to work together and identify a common vision and the best course to improve the welfare of the Lebanese.

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National Priority

1

Improve Fiscal Imbalances & Ensure Monetary Stability

The public debt is a principal challenge facing any future government, and more specifically for the next two decades. After Paris II and III, genuine structural and institutional reforms are expected, and at all levels. The government can begin with short-term measures to inject a positive momentum, but structural reforms such as privatization, public sector reforms, etc., cannot be postponed any longer. The government and the Central Bank have been innovative in the debt management and restructuring policy; more of the same must follow but with longer-term and more diversified instruments.

Fifteen years since the end of the war, and following two waves of fiscal restructuring and the emergence of a more developed statistical database permitting a better analysis of the tax burden, at least at the fiscal level, the government must revise its tax policy. The new policy must introduce new instruments, change strategies and rates, and undertakes what is necessary to promote private investments and greater economic activity.

In sum, the fiscal reform policy must rely on three basic pillars: Increase the primary surplus and rationalize expenditures; introduce institutional reforms to improve credibility, transparency and better planning; and initiate structural reforms to increase competitiveness and economic growth.

In order to curb a spiraling inflation and the dollarization of the economy, and to ensure monetary stability as well as the effectiveness of monetary policy, the Central Bank (BDL) and the government have adopted for most of the 1990s a pegged exchange rate regime supported by high returns on treasury bills and deposits in Lebanese Pound surpassing the 40% yield in the mid 1990s. This monetary policy succeeded in meeting the set objectives, however at the expense of increasing and alarming budget deficits. Finally, and after Paris II, the structure of interest rates began to decline, bringing down the debt service payment, and for the first time since the mid 1970s, reversing the debt dynamics. The ray of light observed in 2004-2005 is long gone and following the assassination of Prime Minister Harriri, growth fluctuated sharply due to violence and short wars and the positive debt dynamics was not sustained followed the cash injection of Paris II.

The banking sector, and despite the recent financial crisis, remains very liquid with M3 (broad money supply) growing in double digits for a number of years. On the other hand, banks have remained conservative in providing new products and reaching to new clients knowing that a major client – the State – is ready to absorb all the liquidity, and at high return. The crowding-out effect has not only depressed investment but suppressed any need on behalf of banks to be innovative and competitive. On top of that, the lending mechanism, even through the safe medium of

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Kafalat, remains limited to a closed circle of clients as banks adopt a conservative, risk-averse lending policy, probably also due to the lack of an effective credit system.

The new government must consider adopting a long-term fiscal and monetary policy. Even though exchange rate stability is needed in the short run, it cannot be maintained forever. Rigidity in that market (balance of payment constraint) implies that the economy has to suffer a cost when market forces change, be it international reserves, export competitiveness, or the like. The long-term vision must also include a revamping of banking laws, policies, infrastructure, etc. especially that in light of globalization, competition even from Arab banks can be stiff and ruthless.

Finally, and in order to move to the level of an emerging economy, Lebanon has to deepen its capital market allowing a more transparent and democratic economy and channeling savings and remittances into productive activities.

Policy Target 1.1.: Improve Fiscal Imbalances

Main Headings

- Tax base and tax incidence
- Tax instruments and rates including income tax and VAT
- New (long-term) debt instruments
- Paris III reforms, rationalization of expenditures, and other reforms

Select Measures

Measure 1.1.1.

Finalize the 2009 budget, launch debate on 2010 budget considering phasing out Councils (for the South and the Displaced) and introduce an organic fiscal budget

Measure 1.1.2.

Introduce modeling techniques to Ministry of Finance to assist in evaluating impacts of various fiscal instruments and better define the new tax policy

Measure 1.1.3.

Introduce new debt instruments with long term maturities to revive the *Bourse de Beyrouth* and smooth out the debt burden.

Measure 1.1.4.

Launch work on a new progressive tax policy that includes reviving of the unified income tax draft law.

Measure 1.1.5.

Initiate immediate measures to stop the drain caused by the EDL/power sector - awaiting full and comprehensive development of this sector

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Policy Target 1.2.: Monetary Stability and Sound Exchange Rate Regime

Main Headings

- Exchange rate regime
- Interest and inflation rate policies
- The relationship between the Central Bank and the Ministry of Finance
- Depth of the capital market

Select Measures

Measure 1.2.1.

Maintain exchange rate regime, and identify appropriate timing and conditions to revise the policy (e.g., following period of consecutive growth and stability)

Measure 1.2.2.

Create a Credit Bureau, reducing risk factor and expanding the clientele of banks

Measure 1.2.3.

Set up a permanent committee grouping the Central bank and the Ministry of Finance officials to coordinate fiscal and monetary policy

Measure 1.2.4.

Provide fiscal incentives (e.g., tax holidays) and technical support to family-owned businesses to turn public and issue IPOs.

Measure 1.2.5.

Require of the Central Bank to examine the existing interest rate policy followed on a *de facto* basis by commercial banks and investigate any anti-competitive behavior

National Priority

2

Enhance Competitiveness & Build Capacities

Enhancing the competitiveness of the economy and the building of local capacities is another key national priority for future Lebanese governments. Lebanon, not only has to keep pace with a fast-moving globalized economy, but must also take a giant leap forward in order to make up for *lost time* during the 15-years of war. Most of the legislative infrastructure dates back decades. The private sector is bogged down with red tape that slows the economic activity and often dissuades investors from mobilizing capital into future projects.

The re-launching of the privatization program is one mode to render the economy more competitive by increasing economic efficiency, improving quality, and attracting foreign capital and technology; hence yielding welfare gains.

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High cost of production is another challenge that has to be properly addressed if the local economy is expected to compete at the regional and global stage. The factors behind the high cost of production and henceforth the lack of a competitive edge are many. A rise in the price of petroleum or a pegged Pound to the US dollar implies more expensive imports (inputs); but also the high cost of services (telephony, power, transport, etc.) and an uncompetitive internal market implies economic inefficiencies and hence above-market prices. All these factors, and others, increase the burden on producers. The remedy lies mainly in major structural reforms such as introducing competition or improving access to capital for SMEs. Protectionism and other state measures to shelter domestic producers serve more harm than good.

The labor policy is another track that warrants a closer revision after decades of neglect. The labor market and the underlying policy stands to affect not only workers but also the economy as a whole, especially if it is linked to capacity building, education, and domestic market requirements and conditions.

And finally, Lebanon continues to lack proper statistics, upon which the formulation of economic policy need to be based. Efforts so far to build a statistical database have been sparse, not coordinated, and insufficient; hence, the need for a master plan with the objective of building a long-term database memory.

Policy Target 2.1.: Upgrade Competitiveness

Main Headings

- National competitiveness
- Identification and development of niche markets
- Public-private partnerships
- Export-led growth policies

Select Measures

Measure 2.1.1.

Set up a committee grouping public and private sector representatives to develop a 5-year and 2-year plan (*mise-à-niveau* programs) to improve competitiveness identifying targets and performance indicators

Measure 2.1.2.

Reduce the cost of production by temporarily, provide solutions such as low power rates at off-peak hours to energy-intensive industries or other innovative but not distortive measures

Measure 2.1.3.

Set up an Export Promotion Agency and in the immediate term, train staff and diplomats across the globe to promote Lebanese businesses

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Measure 2.1.4.

Build the capacities of Lebanese specialized institutions, namely the standards entity LIBNOR and the Industrial Research Institute, to provide support services to export-oriented enterprises

Measure 2.1.5.

Identify (and support) sectors with high-value added or ethnic value such as olive oil or organic foods to promote exports or services using high-skill labor

Policy Target 2.2.: Increase Productivity

Main Headings

- Access to (cheap) credit
- Policy framework including privatization program
- Foreign direct investment promotion and technology transfer
- Training and compensation schemes

Select Measures

Measure 2.2.1.

Set up, in collaboration with banks and the Central Bank, various funds to improve access to credit (complement the *Kafalat* program) and increase the capital of *Kafalat* and develop new instruments to increase access to credit by SMEs

Measure 2.2.2.

Create an Economic Advisers Board linked directly to the Prime Minister composed of close advisors to the Prime Ministers but also of a core of permanent economists and staff. The board could also include representatives from relevant ministries

Measure 2.2.3.

Provide fiscal incentives to firms which initiate a constant training program for its staff and similar incentives to centers specialized in new knowledge developments or provide the enabling environment (e.g., incubators)

Measure 2.2.4.

Promote joint ventures and alliances - having a technology transfer component such as - with foreign conglomerates by providing fiscal incentives and facilitating business transactions (e.g., ease registration, reduce fees, etc.)

Measure 2.2.5.

Revive Privatization Higher Council and set up utility regulators including power sector

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Privatization

The principal objective of privatizing state-owned enterprises is to promote growth and modernize the economy, and not to generate revenues. Privatization, which can take several forms (e.g., Built-Operate-Transfer, management contracts, full or partial sale, partnership with strategic international investors, etc.), remains the main bridge that is expected to transform and modernize the Lebanese economy.

The privatization program has been stalling since its inception by the Hoss government in the last quarter of 1998 when a framework law was passed and later a Privatization Higher Council was created. In the late 1980s and 1990s a privatization boom was taking over the developing and emerging markets attracting billions of dollars in investments and state-of-the-art technologies which eventually transformed their economies and developed their capital markets. On the other hand, and in Lebanon, the privatization wagon was missed: the Beirut Stock Exchange remains a ghost institution, the Higher Privatization Council paralyzed, BOT telecom contracts were prematurely canceled, litigation and disputes with international investors were spurred, all of which dropped Lebanon from the radar screen of the international community at a time when local state enterprises were disintegrating, losing market value and efficiency and costing the government millions of dollars annually.

While restructuring and legislative development – including the introduction of a competition law and regulatory authority – remain a prerequisite to any successful privatization program, the government must politically and fully commit to the privatization option and announce its intention to resume the privatization program. The Privatization Higher Council must be revived with a wider mandate in order to monitor and regulate the entire privatization process and ensure transparency. The state should also sort out the mess that has been created in the mobile phone operators' case, and restore its credibility with international investors.

Privatization is and should not be considered as option to generate revenues to meet short-term fiscal needs, but must be viewed as a process that will yield dynamic economic benefits. In fact, there is a consensus following international practices which prove that privatization, among other things:

1. Attracts foreign and domestic direct investment and injects capital,
2. Develops capital markets,
3. Invites new technologies and increases productivity,
4. Provides better service at lower cost to domestic consumers, and
5. Promotes economic efficiency and competitiveness.

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Policy Target 2.3.: Enable the Business and Investment Climate

Main Headings

- Legislative agenda
- Trade facilitation
- Regulations and bureaucratic red tape (doing business)

Select Measures

Measure 2.3.1.

Fast-track the legislative agenda or modernize several key legislations including: Competition, anti-dumping, intellectual property, SME-related laws, quality-enhancing laws, bankruptcy and insolvency laws, companies laws, construction regulations, creation of a small debts recovery simplified procedure.

Measure 2.3.2.

Provide the Ministry of Economy and Trade with the needed resources to fully implement the new modern consumer protection law

Measure 2.3.3.

Introduce a single intra-governmental web-enabled portal - with a single tracking number per application - at front line ministries namely Economy, Industry, Finance, and link portal and database to Chamber of Commerce.

Measure 2.3.4.

Eliminate *ex ante* licenses (e.g., importation of non-durables and technology-based goods, etc.) and reduce unnecessary export/import paperwork

Measure 2.3.5.

Implement most recommendations presented by the joint project with the International Finance Corporation (IFC) and continuously devise procedures and measures intended to automate service and streamline unnecessary steps

Policy Target 2.4.: Develop a Labor Policy

Main Headings

- Role and regulation of labor unions
- Labor laws modernization
- Lifelong learning and the reintegration schemes for workers

Select Measures

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Measure 2.4.1.

Entrust a task force with the job of drafting of new bylaws and legislations with the aim of promoting a more constructive and independent role for unions. The task force would include retired lawyers, academics and advocates of labor issues, and prominent members of civil society

Measure 2.4.2.

Dissolve all union representations and hold new elections over a 6-month period for all unions based on the new bylaws and the new legislation.

Measure 2.4.3.

Develop and fund programs at the Lebanese University and technical schools aimed at providing new or special skills to individuals whose jobs have been canceled, to workers who became redundant or wish to move up from a dead end job to a possible career

Measure 2.4.4.

Amend the Lebanese Labor Law to include all foreign workers thereby integrating current special rules applied to migrant workers into the labor law

Policy Target 2.5.: Develop a Statistical Master Plan

Main Headings

- The Central Administration of Statistics Directorate
- The Statistic Master Plan
- Role and coordination of other concerned institutions

Select Measures

Measure 2.5.1.

Revamp the Central Administration of Statistics starting with the recruitment of qualified statisticians and the investment in software and the training of new hires

Measure 2.5.2.

Integrate the national accounts projects into the Central Administration and into the national statistical plan

Measure 2.5.3.

Sign a five-year technical cooperation agreement with a foreign statistical body to build local capacities and assist the CAS in developing a statistical master plan taking into account past project with institutions such as the World Bank

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National Priority 3 Support Agri. & Industrial Dev't & Integrate into Global Economy

Lebanon has been active in negotiating a large number of framework trade agreements with Arab states as well as East European countries. Trade agreements did not go beyond simple tariff reductions, which was proven by economic literature to offer little or no gain. Moving fast along the track of eliminating tariff barriers is not the main objective; non-trade barriers remain the main obstacle facing the flow of merchandise, and these barriers have been erected by both Arab and EU trading blocs, which constitute over 60% of Lebanese export destinations. Moreover, liberalizing agriculture and services, two sectors which are more important to Lebanon and developing countries have been put on hold by developed countries, starting with the EU.

At the multilateral level, Lebanon has had an observer status at the WTO since 1999 but has effectively launched the accession process in May 2001. The WTO, and contrary to what is often argued, is a mechanism to protect small economies and to resolve international trade disputes, in addition to the fact that small economies cannot be marginalized in a globalized world. The accession must be completed before the Doha Round ends in order to avoid facing new conditions and commitments that may ensue after the end of the current Doha Round of negotiations.

Deeper integration offers dynamic long-term benefits and provides opportunities, notably to developing economies with potential to grow, such as Lebanon; however, integration and harmonization under globalization carries with it challenges that require major reforms and efforts to upgrade and improve efficiencies which are inherently costly, especially to sheltered sectors or firms hidden behind protectionism measures that did not exposed to fair competition.

The liberalization process must thus be accompanied by internal measures to increase competitiveness and support the development of domestic factors of productions. And since the overwhelming composition of the Lebanese economy is made up of micro, small or medium enterprises, any long-term plan to promote economic growth must target SMEs and include mise-à-niveau programs to upgrade national competitiveness and enable local producers to penetrate foreign markets.

Hence an appropriate and well devised strategy to develop and support the agriculture and industrial sectors is of paramount importance. The industrial sector is suffering from high operational costs unfair competition from neighboring countries, and a lack of access to capital. Lebanese industry needs, among other things, private equity and venture capital funds, as well as specialized financial institutions that would cater to their financing and financial advisory needs.

Energy-intensive industries, on their turn, are facing difficult times. The power sector, itself subject to a separate national strategy in this program, is a major source of

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economic inefficiency in Lebanon, not only increasing the cost of production but also costing the government billions of dollars every year. On the other hand, many of Lebanon's trading partners are benefiting from subsidized energy, mostly in oil producing countries, causing regional inequality and unfair competition that contradicts the principles underlying agreements such as GAFTA or the WTO.

In this light, Lebanon has to focus primarily on industry segments in which it has a competitive advantage, whether in the form of know-how, or high added value. In parallel, the government can also identify potential sectors - in their infancy stage - and provide temporary protection; taking into account the experience (and some international best practice) of protected and later successful industries such as mineral water, wine, cement and electrical cables.

As for agriculture, the sector is in an abysmal state, with expensive subsidies constantly diverted and dilapidated. Lebanon's climate and abundance of water are appropriate for the country to become an exporter of agricultural products, including high value-added agro-food, as well as exotic or ethnic products. Lebanon has successful practices to build on, such as the wine industry, and stands to learn from international success stories such as in Chile.

Developing the agriculture sector has to be a national priority for all the basic reasons. Support to farmers is critical to rural development, job creation, environmental protection, and food production. Nonetheless, dying or uncompetitive elements cannot be endlessly supported. Hence a well balance approach has to be adopted taking into account Lebanon's positioning and its comparative advantage.

Policy Target 3.1.: Maintain Free and Fair Trade Policy

Main Headings

- Bilateral and Arab Agreements
- Partnership with the European Union
- Accession to World Trade Organization

Select Measures

Measure 3.1.1.

Set up a new intra-ministerial committee, under the leadership of the Ministry of Economy and Trade, to revise most bilateral trade agreements and identify means to revive joint committees

Measure 3.1.2.

Fast-track the accession process to the WTO by passing draft laws and revive WTO accession track before the end of the Doha Round, which may be concluded in light of the G20 Meeting in London in March 2009

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Measure 3.1.3.

Establish a EU unit linked directly to the Prime Minister that include representatives of all relevant ministries and strengthen cooperation with the European Union with a new and more developed European Neighborhood Policy Action Plan stressing on themes such as market access, transfer of know-how and regional infrastructure networking (e.g., power grids, maritime, etc.)

Measure 3.1.4.

Negotiate new agreements with the GCC and emerging economies such as China and India that goes beyond merchandise trade to include services, investment promotion, and natural resources

Policy Target 3.2.: Modernize and Support Lebanese Industries

Main Headings

- Cost of production and competitiveness
- Exports, niche targeting, and diversification
- Government role
- Capacity building

Select Measures

Measure 3.2.1.

Support twinning initiatives (with foreign entities) of the traditional as well as state-of-the-art niche industries that develop innovative, high-end products

Measure 3.2.2.

Promote importance of quality and branding across industries, and revamp conformity assessment bodies such as IRI which enable local firms to penetrate new markets

Measure 3.2.3.

Provide incentives to businesses to become public and lure non-family investors in order to achieve greater economies of scale, attract talent, and ensure intra-generational survival

Measure 3.2.4.

In the short term, examine safeguard and anti-dumping measures in retaliation to dumping and unfair foreign subsidies

Measure 3.2.5.

Speed up the introduction of natural gas to both power generation plants and to industrial entities

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Measure 3.2.6.

Set a policy specific to energy-intensive industries that aims, among other things, to discuss viability criteria, success strategies, as well as exit strategies for unsustainable sectors

Policy Target 3.3.: Develop a new Agriculture Policy and Support Farmers

Main Headings

- Access to credit
- Value-added goods and niche markets
- Training and technical support to Farmers
- Water supply and factors of production

Select Measures

Measure 3.3.1.

Promote organic food and fresh produce diets and provide support infrastructure for farmers to label and distribute their produce across cooperatives and other retail outlets

Measure 3.3.2.

Set up, and fund for a 3-year period from the central budget, a scheme that complements *Kafalat* but which provides subsidized loans to farmers who intend to purchase equipment (e.g., water pump, tractors), receive training, etc. for the purpose of expanding or diversifying their production

Measure 3.3.3.

Create emergency fund from membership fees to chamber of commerce and a tax on specific goods (e.g., tobacco, alcohol) to support farmers in case of natural disasters, drought, etc.

Measure 3.3.4.

Provide fiscal incentives to municipalities that provide special services (e.g., build storage warehouses, facilitate distribution channels) to farmers and agriculture firms

Measure 3.3.5.

Empower the Ministry of Agriculture by increasing its budget, increasing its presence in rural areas, and allowing the ministry to fill vacancies (of experts and trainers) and hire young university graduates with a special pay scale

Measure 3.3.6.

Provide regular seminars to farmers about foreign standards and requirements on proper cultivation techniques, usage of fertilizers, and the like for the purpose of exporting and the production of high quality products

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Measure 3.3.7.

Promote recycling by establishing factories that produce fertilizers from household waste (and sell at cost price) and water treatment facilities to recycle water for farming use

National Priority 4 Build and Modernize State Institutions

The Lebanon of the future will have to ensure that the public administration become more of a meritocracy. In Western countries, particularly in Europe, the public sector is the major source of employment amongst the youth and specialized professionals. In Lebanon, the abysmal image of the public sector is fueled by incompetence and by the lack of accountability of civil servants, a minority of which believe in the principle of serving the interests of the people. An efficient, competent, and modern public administration would be key in attracting foreign investments, creating jobs, and restoring confidence in the local economy.

The situation in the Lebanese public sector is not very different than what is observed in many developing countries: red tape, redundant employees, below par productivity, ageing workforce and machinery, and the like. Similarly the suggested remedies are what have been called for by international organizations: reduce the size of the public sector, decentralize decision-making, introduce new technology, reduce contact between employees and citizens to reduce corruption, revamp the civil service, increase productivity, and eliminate inefficient budget-draining programs.

Policy Target 4.1.: Increase Efficiency and Improve Service Delivery

Main Headings

- E-government
- Public-private partnerships
- Role of OMSAR

Select Measures

Measure 4.1.1.

Continue the E-government initiative, namely in ministries that provide direct service to the public and in the long run aim to reduce interaction between public institutions and citizens to minimize corruption and ensure standardized service

Measure 4.1.2.

Integrate a “development office” (core role of OMSAR) within each ministry and terminate OMSAR as a separate entity

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Measure 4.1.3.

Build on the E-commerce Project launched several years ago at the Ministry of Economy and ratify all related laws

Measure 4.1.4.

Duplicate past successful public private partnerships (e.g., Public-private task force to combat piracy and protect consumers) to other arenas such as training civil servants (by private centers) or sponsoring new technologies in government entities

Measure 4.1.5.

Revise working hours in the public sector (adopt 2005 similar measure in Fiscal Budget Proposal) and modernize the Civil Service Board

Policy Target 4.2.: Modernize Civil Service and Public Administration

Main Headings

- Decentralization
- Civil service overhaul
- Corruption and dead-end careers

Select Measures

Measure 4.2.1.

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

Measure 4.2.2.

Revive past decentralization draft laws and plans, and adopt a new municipalities law

Measure 4.2.3.

Address redundancies and examine options for early retirement packages namely in quasi-public entities providing public service (e.g., EDL, Ogero)

Measure 4.2.4.

Build capacity and life-long learning: develop expertise, and reduce unnecessary transfer of employees across ministries

Measure 4.2.5.

Provide new incentives (e.g., offer project ownership, allow upward mobility of staff based upon merit, entrust responsibilities upon productive staff) to fight corruption and increase productivity

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Policy Target 4.3.: Overhaul Public Projects, Programs, and Laws

Main Headings

- Public and quasi-public agencies and projects reform
- Subsidy programs
- Outdated laws (legalizing waste)

Select Measures

Measure 4.3.1.

Merge ministries into super-ministries (e.g., Ministry of Economy with Industry) and eliminate redundant agencies such as the Ministry of Information while empowering the National Audio-visual Council to become a full power regulatory authority

Measure 4.3.2.

Privatize and/or tailor the tobacco sector to Lebanese products (e.g., *Nargileh* tobacco), terminate the sugar beet program and revise or phase out the wheat program

Measure 4.3.3.

Revise the Export Plus (IDAL) program and ultimately merge program with called for Export Promotion Agency

Measure 4.3.4.

Phase out special councils (Council of the South, Council of the Displaced) over a 16-month period and integrate remaining projects into line ministries (e.g., Public Works, Education, Public Health, etc.)

National Priority

5

Support Innovation and Entrepreneurship

Since independence, Lebanon has adopted liberal economic policies whereby market forces dictated the behavior of economic agents. And over the 15-year war government intervention in the economy increased often in a chaotic matter; but instead of adopting a regulatory and facilitating framework, it created obstacles for the private sector, imposing a heavy burden on the fiscal budget, and indirectly reducing economic efficiency and productivity. The outcome for Lebanon at the turn of the 21st century can be summarized by the following: economic infrastructures have fallen behind, living standards have worsened, wealth distribution has become polarized and inequitable, the economy has become less diversified; markets have become dominated by oligopolies, and behavior of all agents have been marred by corruption, while the government have failed to play its proper role as a visionary and a market regulator.

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After years of slow growth, the economy picked up in 2004 with an estimated 5% growth rate, only to suffer again from severe external and violent shocks that curbed growth, fastened the brain drain, which remains the primary backbone behind Lebanese economic growth

In short, and if the Lebanese economy is to recover and place itself on a sustainable pattern, efforts have to focus on regaining the entrepreneurship spirit and supporting innovation and the growth of small and medium enterprises.

Policy Target 5.1.: Promote Innovation & Diversification

Main Headings

- Research and development (R&D)
- Incubators
- Economic and export diversification

Select Measures

Measure 5.1.1.

Develop projects similar to the EU-funded project to set up incubators across the country and ensure funding for at least 3 years, the minimum required for an incubator to become self sufficient.

Measure 5.1.2.

Support incubated projects and new firms move into phase two by providing credit to successful incubation via the *Kafalat* or Central Bank loan schemes

Measure 5.1.3.

Provide fiscal incentives to firms that allocates a budget for Research and Development, and which increase as percent of the R&D budget

Measure 5.1.4.

Provide incentives to *first mover* firms that export new products (i.e., not exported before by the firm or a new Lebanese export). Examples of successful practices in countries such as Tunisia, Jordan, and Egypt highlighted in a recent World Bank study can be examined to set up the appropriate mechanism.

Measure 5.1.5.

Develop schemes to subsidize pilot projects of new entrepreneurs and establish coordination mechanism between universities, *Kafalat*, and state entities (e.g., ELCIM, IRI) to support innovative ideas

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Policy Target 5.2.: Support Small and Medium Enterprises

Main Headings

- Small and medium enterprises
- Micro-finance

Select Measures

Measure 5.2.1.

Develop various schemes such as revolving and guarantee funds that build on existing schemes such as *Kafalat*

Measure 5.2.2.

Develop a public-private partnership to lure investors into setting up micro-finance institutions, an experience that proved successful across the world and is profitable to the investor and beneficial to the micro-enterprise

Measure 5.2.3.

Consolidate the studies and recommendations recently produced by the relevant entities (e.g., Ministry of Economy, ESCWA, World Bank, etc.) and create a one portal for SME to access information and inquire about means to get support

Measure 5.2.4.

Subsidize programs and NGO projects aimed at consolidating small farmer communities and creating cooperatives such as the olive oil projects (*Zayoutna* and CedarPlus Program) launched jointly between the Renee Mouawad Foundation and international agencies

National Priority

6

Develop an Education Strategy

Lebanon does indeed possess a comparative advantage in terms of the quality and service in higher education and hence it would be natural to expect that the country became a regional leader, but why is then Arab student going to Europe or the Sorbonne opening a branch in Abu Dhabi and not in Beirut?

The education sector, from kinder garden to college and training schools, is essentially operating without a strategy and no stated objective. The government operates public institutions with minimal resources and attention and private schools, mushrooming without control, are creating an ever increasing pool of graduates who cannot find jobs or were not well trained to be competitive and enter the labor market.

The situation at the Lebanese University is indeed alarming. Politics interferes with the appointment of college deans when experience and knowledge ought to be the

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sole criteria. The university lacks the resources to make the required giant leap but also, world-class research is lacking, which is the backbone of any higher educational facility.

The internet is finally creeping into public schools but students and researchers still do not have access to international publications and world renown works. Public libraries are only recently opening their doors to local residents but resources are limited and so are the books. The Lebanese from all walks of life have an information gap and as such the country can no longer claim to be a beacon of knowledge.

A concerted effort leading to the adoption of a well defined national strategy is thus warranted and in fact critical if Lebanon wants to regain its pioneer role in the region and generate new knowledge to fuel the innovator and the entrepreneur.

In short this long awaited strategy has to be multi-faceted and covers all aspect of the education sector. Public schools and universities are at the bedrock of this strategy but so is the need to support lifelong learning and redefine the role of the ministry of education. Inefficient programs, often instituted for political purposes ought to be canceled and instead the government have to make use of its partnership with international networks and bodies (e.g., EU) to revamp and modernize its curricula, train its teachers, and introduce new technology to its schools and universities.

Policy Target 6.1.: Develop an Education Strategy

Main Headings

- National curricula
- Lebanese University
- New knowledge and national libraries
- Exploit existing networks and best practices

Select Measures

Measure 6.1.1.

Set up a task force grouping concerned government entities, the Lebanese University, and prominent experts and academics to develop a long term education strategy with a set timeframe

Measure 6.1.2.

Develop a special strategy for the Lebanese University that aims to increase its autonomy and promote a new research-driven mandate

Measure 6.1.3.

Exploit the Association Agreement with the EU to foster joint business partnerships, university exchange programs, etc.

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Measure 6.1.4.

Revise all licenses of universities/colleges and impose review of accreditation every 5 years to overrule the current policy of having no revision after initial establishment

Measure 6.1.5.

Establish a permanent committee entrusted with updating the curricula of public schools (grade 1 to high schools) every 5 years. Project could largely resemble the task of changing the curricula entrusted upon a large group of academics in the early part of the decade

Measure 6.1.6.

Continue building and equipping national libraries across the country and introduce free internet service to users

Policy Target 6.2.: Supply Skilled Labor force

Main Headings

- Education diversification
- Life long learning

Select Measures

Measure 6.2.1.

Develop and support technical schools and revise curriculum for primary schools to incorporate alternative training (consider the German Model)

Measure 6.2.2.

Develop night schooling at secondary, technical and university education levels to provide workers with the opportunity to develop their skills

Measure 6.2.3.

Develop university orientation programs in collaboration with ministries, academic circles, and other relevant parties

Measure 6.2.4.

Subsidize software and language classes to part-time workers and full-time workers above the age of 50 and employed at enterprises with 10 or less workers

Policy Target 6.3.: Modernize and Empower State Institutions

Main Headings

- Ministry of Higher Education
- Public schools
- Lebanese University

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Select Measures

Measure 6.3.1.

Create a permanent committee – grouping universities, line ministries, and international bodies with the objective of creating a National Accreditation Board to revise licenses of academic institutions and to ensure continuous monitoring

Measure 6.3.2.

Amend relevant laws to increase the independence of the Lebanese University in particular with regards to the selection of all management posts as well as the recruitment policy of professors

Measure 6.3.3.

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

Measure 6.3.4.

Introduce incentive schemes for professors to seek research funding (e.g., reduce teaching load, incorporate into promotion policy, etc.)

Measure 6.3.5.

Amend laws and regulations to transform the Lebanese Ministry of Higher Education into a policy-setter allowing greater operational and management autonomy to education facilities

National Priority

7

Develop a Health Strategy

Lebanon spends about 10% of GDP on the health sector, a figure comparable to what the United States spends. However, the benefits and the universality of the coverage are not comparable. The unnecessary spending may be attributed to *clientelisme*, corruption, abuse of power, and the like. In fact, politicians have utilized public entities and line ministries for election purposes or to provide services to partisans at the expense of the state budget

The National Social Security Fund has so far failed to provide adequate support and the health and family care plans have created actuarial imbalances. In addition, there is a large risk the optional plan under the NSSF will be canceled since it is unsustainable and was mal-structured.

Over and above, a significant segment of the Lebanese population is covered by one or more health fund and getting reimbursed more than once for the same medical procedure, while on the other hand, a large group is not covered and does not afford a private health insurance. The latter group includes a large segment of the elderly, the unemployed, farmers, etc.

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And in the case of the insured, patients are often unaware of their rights, they have no real recourse in case of a medical malpractice or are treated in hospitals that do not meet national standards. Finally, there is the pharmaceutical sector and the issue of *commercial* pharmacies and the frequent cases of drugs available in the market that do not meet basic health and medical specifications.

The aforementioned challenges can no longer be overlooked and only a comprehensive strategy with clear objectives and defined targets can overhaul the quasi-alarming state of the health sector. Health coverage and patients safety and rights ought to be a national priority that has the full backing of the political system since this is an issue that knows no religious or geographic boundaries.

Policy Target 7.1. Modernize Legislative and Institutional Framework

Main Headings

- Role and mandate of Ministry of Public Health
- Pharmaceutical sector
- Hospital supervision
- Patient rights

Select Measures

Measure 7.1.1.

Set up an intra-ministerial committee to look into the main headlines of a new health strategy aimed at increasing health coverage and minimizing wasteful spending

Measure 7.1.2.

Establish an autonomous regulatory agency (composed of experts, academics, etc.) under the tutelage of the Ministry of Health to regulate the health industry and the pharmaceutical sector in particular. Main objectives are to ensure high standards and fair competition

Measure 7.1.3.

Create a committee – part of the called for regulatory agency - to revise all licenses granted to hospitals and identify new criteria for medical centers to operate under.

Measure 7.1.4.

Create an independent investigative Committee per *Mohafaza* composed of lawyers, representative of the Ministry of Public Health, a non practicing retired medical doctor and other experts to handle medical malpractice lawsuits or complaints

Measure 7.1.5.

Automate personal records at the Ministry of Public Health and public health care providers

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Policy Target 7.2. Increase Health Coverage & Minimize Overlap

Main Headings

- Public funds and social security
- Military health funds
- Private insurance

Select Measures

Measure 7.2.1.

Set up an intra-agency technical committee that represent all funds as well as the Ministry of Public Health to map the current situation, identify overlaps and modes for abuse, and present a set of concrete recommendations that could be implemented within 3-6 months. The Committee should have a mandate of six months to present its complete report to the Council of Ministers

Measure 7.2.2.

Finalize the automation of the NSSF and introduce web-enabled services starting with tracking applications and direct wiring of refunds for registered users

Measure 7.2.3.

Empower the insurance regulatory office – now under the tutelage of the Ministry of Economy with new staff and a larger budget as a first step to establishing an independent regulatory agency with a wide mandate

Policy Target 7.3. Launch an Educational and Civil Service Campaign

Main Headings

- Preventive health
- Volunteering and civil service
- Awareness raising

Select Measures

Measure 7.3.1.

Subsidize an annual general check-up at select hospitals to citizens above the age of 50 with certificate from local authorities stating low income status

Measure 7.3.2.

Introduce as part of Lebanese University curricula an internship in hospitals in rural or impoverished areas or in mobile clinics (i.e., in vehicles)

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Measure 7.3.3.

Launch a year-round media campaign targeting seasonal diseases and ways to prevent and combat them

Measure 7.3.4.

Launch a free flu shot campaign in rural and impoverished areas (using poverty map developed by Central Administration of Statistics and other World Bank studies)

Policy Target 7.4. Invest in Medical R&D and Support Export of Medical Services

Main Headings

- Research grants and medical laboratories
- Intellectual property
- Export of medical services
- Medical centers and poles

Select Measures

Measure 7.4.1.

Provide tax credit to hospitals that introduce a research unit or launch a workshop series of provide training to its medical staff

Measure 7.4.2.

Charge no fee for registering a new medical innovation or trademark and provide free information services for innovators on how to register their invention abroad

Measure 7.4.3.

Increase budget for medical research at the Lebanese University

Measure 7.4.4.

Provide fiscal incentives to the creation of medical poles in cities (outside Beirut) to include low income or municipality taxes

Measure 7.4.5.

Provide state grants or tax breaks for private sponsors of medical internships abroad or research projects

National Priority 8 Develop an Energy, Water, Telecom and Transport Strategy

The development of the water and transport sectors is crucial to the future diversification of the Lebanese economy and the creation of jobs. Although Lebanon is blessed with substantial water reserves, little is being done to exploit them.

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The creation of an efficient water distribution system would create significant revenues for the country and establish Lebanon as a strategic geopolitical nexus. Selling water to its neighbors, while being self-sufficient, is a scenario that many countries would have worked hard to realize decades ago. Likewise, a developed motorway and rail network, linking Lebanese ports and cities to neighboring countries would not only create important direct revenues, but also make Lebanon a regional hub.

Moreover, the telecommunication and power sectors, both of which critical elements to economic development, have turned into a new tax due to inefficiencies. These sectors, if properly run and operated, could easily become a major source of foreign direct investment and a primary catalyst for economic growth.

Over the past decade, the power sector (and the EDL) has siphoned from the state budget billions of dollars while the service and the physical infrastructure has worsened. As for the mobile telecommunication, once this sector started to generate major revenues, the duopoly was politicized and nationalized and so after the service worsened. The world foresaw the dynamic effects of privatization, be it for the telecom or power sector, where a public-private partnership allowed for a continuous injections of capital and technology transfer. The Lebanese government must consider the long term dynamic gains and not be shortsighted with static short term fiscal benefits from nationalizing the sector,.

In addition to revamping these sectors and seriously considering oil and gas exploration, Lebanon must quickly join the global trend towards alternative and renewable energy. The country – to start – has abundant water resources and is exposed to hundreds of days of sunlight per year, both of which are principal sources of energy. Moreover, natural gas and diesel are cheaper, environmentally friendly, and diversify dependence and the cost structure.

Policy Target 8.1: Develop an Energy Policy

Main Headings

- Power generation
- Renewable energy
- Electricity du Liban
- Offshore drilling
- Regional partnerships and grid networks

Select Measures

Measure 8.1.1.

Overhaul the manpower at the EDL by offering early retirement packages and setting a budget to recruit a large pool of skilled engineers, technicians, and the like

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Measure 8.1.2.

Take action on several reports disclosing possible oil or gas reserves offshore by first contracting a specialized firm to develop a master plan encompassing a feasibility study, required legislations, the operating model, and a timeline

Measure 8.1.3.

Finalize gas pipeline and extend it to most power plants (to replace the costly and polluting fuel)

Measure 8.1.4.

Review all past studies (e.g., The Sehnaoui Plan) and develop and commit (by law) a power strategy aimed at modernizing the sector and turn it profitable

Measure 8.1.5.

Fully integrate Lebanon into the six-nation power grid and regional gas pipelines in addition to networks linking the Middle East with the European Union (as part of the EU Neighborhood policy)

Measure 8.1.6.

Provide fiscal incentives to private and public entities who use solar energy (e.g., lower municipality tax for household using solar panels)

Policy Target 8.2: Develop a Water Policy

Main Headings

- Water as a source of energy and agriculture development
- Drinkable water: Licensing, distribution, and health regulation
- Damns, wells, and water storage
- Water authorities
- Regional partnerships and networks

Select Measures

Measure 8.2.1.

Revise all licenses granted to mineral water firms and introduce annual monitoring in addition to new regulatory criteria

Measure 8.2.2.

Follow-up on the consolidation of the Water Authorities and define their organization structure and mandate

Measure 8.2.3.

Make use of the newly build Kesrewan Chabrouh Dam to distribute water for household consumption and agriculture production and initiate works on other damns already part of the Ministry's Plan

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Measure 8.2.4.

Support and modernize water-based energy plants such as Qadisha and identify other opportunities to generate power

Policy Target 8.3: Develop a Telecommunication Policy

Main Headings

- Fixed and mobile networks
- Internet and data services
- Regulation and competition

Select Measures

Measure 8.3.1.

Launch Liban Telecom as operator of the fixed line and a third mobile service provider

Measure 8.3.2.

Empower the Telecommunication Regulatory Authority (TRA) and increase its budget allowing the TRA to hire specialized experts at competitive rates

Measure 8.3.3.

Examine the privatization policy of the fixed and landline networks in light of the financial crisis and set a strategy for 2010-2012

Measure 8.3.4.

Introduce incentives (e.g., revenue sharing) to mobile phone operators to introduce new technology and improve the network

Policy Target 8.4: Develop a Transport Policy

Main Headings

- Public transport: Inner city and intra-city
- Public safety: Driving code and public parking
- Maritime, air and commercial transport

Select Measures

Measure 8.4.1.

Establish a taskforce grouping all concerned parties (public entities, unions, etc.) and entrust it within a set deadline to develop a complete public transportation policy that

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will regulate inner-city and intra-city transport. Policy to cover licensing taxi and bus services, public parking, and penalty system on reckless driving, etc.

Measure 8.4.2.

Strictly enforce the driving code by installing speed cameras at major intersections, highways, and other black spots and amend the laws to significantly increase the penalty and automate the public safety monitoring and enforcement mechanism

Measure 8.4.3.

Build capacity of police officers, and introduce financial incentives to officers and local municipalities (e.g., share revenues) to enforce driving laws

Measure 8.4.4.

Open the Rene Mouawad Runway as a commercial airport and link the terminal to the Tripoli Seaport and the planned Tripoli Economic Zone by a rail and a road network. And finish the railway between Tripoli and the city of Homs and link the network with the Rene Mouawad Airport

Measure 8.4.5.

Provide a new concession (Port Authority) and overhaul and organize ancillary activities at the Port of Beirut

Measure 8.4.6.

Regulate the valet parking service and impose heavy penalties on restaurants whose chauffeurs monopolize residential parking spots, drive unsafely, or make noise after midnight and provide free parking and free transport shuttles for night goers to main entertainment centers in Beirut

Measure 8.4.7.

Introduce the Build Operate and Transfer (BOT) for public parking projects (i.e., construct a building-parking) in main cities and charge subsidized rates in particular to long term or residential parking

National Priority

9

Manage the Global Crisis & Improve Regulatory Framework

Lebanon is believed by some to be not affected by the global economic crisis. Although its financial system remained liquid and strong, the argument that a small integrated economy was sheltered from a global crisis cannot stand. No heavy industries or international financial conglomerates operated in Lebanon in order to observe massive job cuts but Lebanese working abroad, be it in the Arab countries or Western economies have been severely hit and a large number has either returned back to Lebanon or is now unemployed. In both cases, it is expected that remittances – a lifeline to the domestic economy – will decline and with it growth prospects for

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2009-2010. Moreover, the expected increase in unemployment levels will create social pressures and depress real wages for the economy.

The global crisis has taken priority across the globe and Lebanon should not stand idle but instead has to introduce preemptive measures at all levels rather than succumb to the full effect of the crisis and only then react seeking partial solutions.

The Crisis is indeed global and massive but there are opportunities to be seized and advantages to be capitalized on. During a period of restraint and uncertainty, the liquid and almost risk-free Lebanese banking system could prove to be a magnet for foreign capital. Moreover, Arab investors – hit hard from the crash in the stock market – may opt to invest in greenfield safe projects and in real estate in emerging economies such as Lebanon. Similarly, risk-averse Lebanese expatriates – employed or unemployed – could be lured to transfer parts of their savings back home or be persuaded to purchase a home.

As such, the role of monetary and fiscal authorities, namely the Central Bank and the Ministry of Finance is critical in turning the table around and making from the global crisis an opportunity to attract foreign capital and investments which stands to stimulate the economy and create the needed jobs to absorb the labor influx.

Policy Target 9.1. Modernize Regulatory Framework

Main Headings

- Banking supervision
- Role of the Central Bank
- Role of IDAL and the Ministry of Economy and Trade
- Legislative framework
- Money laundering and hot money

Select Measures

Measure 9.1.1.

Increase capital requirements for commercial banks and private insurance companies

Measure 9.1.2.

Maintain central bank restrictions on commercial bank's foreign investment portfolio

Measure 9.1.3.

Establish credit system which will reduce risk and risk-averse policy of banks and modernize the legal framework of credit guarantees and debt recovery procedures and reduce their costs

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Measure 9.1.4

Establish an independent regulatory body for capital markets and provide it with the necessary resources to monitor and assess the market

Measure 9.1.5.

Modernize – not restrict - the banking system by enabling E-banking services and incite liquid commercial banks to provide credit and new products (e.g., consumer loans, SME loans) to credit worthy individuals and firms

Policy Target 9.2. Establish Immediate Measures for Labor Influx

Main Headings

- Database and job matching
- Special employment projects

Select Measures

Measure 9.2.1.

Set up a bureau to collect information from Lebanese returning from abroad and create a file for each applicant

Measure 9.2.2.

Match the labor pool with the planned public works projects and provide employment preference to workers returning from abroad

Measure 9.2.3.

Provide special fiscal treatment (e.g., tax holidays, no registration fees) and quickly revise and approve foreign licenses and university degrees for Lebanese expatriates seeking to open a business or provide specialized services

Policy Target 9.3. Revise Monetary Policy and Manage the Balance of Payment

Main Headings

- Remittances from expatriates
- Exchange rate regime
- Role of the banking sector and the Central Bank

Select Measures

Measure 9.3.1.

Launch a media campaign in Arab and European markets promoting the stability and liquidity of Lebanese commercial banks to attract portfolio investments

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Measure 9.3.2.

Commercial banks and the central bank to introduce new instruments with high yields to attract foreign capital from Expatriates but also Arab and Foreign nationals looking for safe havens

Measure 9.3.3.

Maintain the current exchange rate regime to eliminate any uncertainty

Measure 9.3.4.

Introduce required changes to allow joint ventures between commercial banks and the government on profitable public works projects

Policy Target 9.4. Revise Fiscal Policy

Main Headings

- Job-creating stimulus package
- Preferential tax policy

Select Measures

Measure 9.4.1.

Lower national and local tax and fees on property purchase

Measure 9.4.2.

Lower tax on earned interest or maintain the 5% rate

Measure 9.4.3.

Reduce corporate profit tax by around 5% for all firms that create at least 20% more jobs during one year and over the 2010-2012 timeframe

Measure 9.4.4.

Fast track public works projects (e.g., road construction, sewage treatment, etc.) planned for 2010 or 2011 and launch them as soon as possible

National Priority 10

Empower Women

Violations of basic women's rights are not just detrimental to society, human rights, and the dignity of women but are also extremely damaging to the prospects of sustainable economic development. Lebanon has made some in-roads to correct the injustice inflicted on women, but substantial work is still ahead especially when we realize that some North African Arab countries have introduced new legislations which have considerably improved the social and economic status of women.

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In spite of the positive indices concerning the status of the Lebanese woman such as involvement in the labor force or level of education, these indices do not reflect the real status and role of the woman within her family and the attitude of the society towards her. Lebanon still lacks proper laws guaranteeing equal rights for women and men, whether in the public or in the family sphere.

Aside from the numerous legal constraints that discriminate against women – both at home and at the work – society continues to subordinate and outcast women, suppressing innovation, creativity, productivity, and most of all basic freedoms. Lebanon still has reservations on some major international conventions and has yet to reform domestic laws and change embedded unfair practices, which continue to entrench all sorts of discrimination against women (e.g., unequal employment opportunity, family status) and must as well combat all forms of violence. Lebanese laws must be, unconditionally, in line with international conventions and more importantly; all stakeholders must work together through a grass-root campaign to cement equality in practice. Empowering women is not only a fundamental social and human right but also a pillar for sustainable economic development.

A permanent committee grouping relevant ministries, as well as active NGOs from civil society, must be established to devise a national plan aiming to empower women at all levels, striving to outgrow taboo subjects. The plan with pre-set objectives would include immediate measures that must be introduced without delay and also measures that would be introduced in the near to medium future.

Policy Target 10.1. Raise Awareness on Women Issues and Combat Violence

Main Headings

- Women rights
- Discrimination and equality
- Violence against women including domestic violence

Select Measures

Measure 10.1.1.

Ratify draft law on domestic violence proposed by civil society and sponsored by the Ministry of Justice

Measure 10.1.2.

Support and develop projects with civil society to raise awareness on women issues

Measure 10.1.3.

Increase maternity leave

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Measure 10.1.4.

Create institutions, such as ‘women police departments’, for women: Staff with trained policewomen and social workers to provide assistance and protection against any kind of harassment, violence, and discrimination.

Policy Target 10.2. Reform Laws and Eliminate Discrimination

Main Headings

- Capacity building
- Discriminatory laws
- International Conventions
- Legislative loopholes

Select Measures

Measure 10.2.1.

Introduce capacity building measures to train judges, law officers, journalists, etc. on women rights, international conventions, and embedded cultural discrimination

Measure 10.2.2.

Introduce new legislations (e.g., domestic violence)

Measure 10.2.3.

Remove Lebanese reservations on international conventions such as the CEDAW convention

Measure 10.2.4.

Launch a long-term technical assistance project (housed at the relevant ministry and funded by the parties such as the EU) to revamp laws and regulations dealing with women issues

Policy Target 10.3. Empower Women and Encourage Participation

Main Headings

- Economic empowerment
- Increased participation
- Institutionalize women issues

Select Measures

Measure 10.3.1.

Create a Women Affairs Ministry

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Measure 10.3.2.

Establish a permanent public sector (relevant ministries) – NGO committee to develop and monitor the progress of a National Plan

Measure 10.3.3.

Appoint, regularly, women to political posts such as ministers, director generals, etc.

Measure 10.3.4.

Encourage the private sector to appoint women to senior posts - by adopting a revised US Affirmative Action Model

National Priority

11

Outreach to the Diaspora

We have to accept the fact that Lebanon produces more university graduates or blue or white collar workers than its economy can absorb. The government may not stop but it can slow down the brain drain to *normal* levels.

Creating high-skilled jobs can help normalize the trend. Lebanon can – at a parallel level - benefit from its Diaspora by maintaining strong links and networks and hence capitalizing on its valuable resources to ensure technology transfer, inflow of capital, etc. and hence widen the economic space of Lebanon beyond its geographic borders.

So far, this unbroken chain between the Diaspora and the homeland has been not been captured by the formal economy and overlooked by government policy. Forums or state visits have helped strengthen some ties, especially with Lebanese in Brazil or Argentina but this relationship, often characterized as the lifeline for the home economy (4 billion USD per year worth of inflow), must be institutionalized and strengthened to the extent possible.

Policy Target 11.1. Capitalize on Diaspora Resources

Main Headings

- Knowledge transfer
- Networking
- Export and investment promotion
- Tourism

Select Measures

Measure 11.1.1.

Set up Investment Fund to channel Diaspora remittances to households consumption and also to investment projects with a particular focus in rural development

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Measure 11.1.2.

Provide fiscal incentives to universities and centers that link expatriates with Lebanon (e.g., hire short or long-term Lebanese experts living abroad)

Measure 11.1.3.

Set up a permanent intra-ministerial committee grouping the ministries of economy, foreign affairs, industry, agriculture and IDAL to set up an Web portal and channel information and documents to embassies across the world to promote Lebanese exports and attract foreign direct investment

Measure 11.1.4.

Launch a bi-annual conference (and build a database) in collaboration with the Lebanese University and invite Lebanese experts and professionals to present their academic articles, inventions, or latest technologies

Measure 11.1.5.

Increase the budget for the Ministry of Tourism and launch a year-round media campaign on print, visual, and web media

Policy Target 11.2. Institutionalize Relationship with Diaspora

Main Headings

- Role of Embassies and Lebanese clubs
- Right to vote and citizenship
- Registration and census
- Outreach campaign

Select Measures

Measure 11.2.1.

Link databases at embassies, general security, and registration from embassy web portals to compile a database on Lebanese expatriates

Measure 11.2.2.

Launch *back to your roots* campaign for the Diaspora and support Lebanese cultural clubs abroad and promote alliances and partnerships with foreign universities, think tanks, etc.

Measure 11.2.3.

Enact all laws and decrees and disseminate relevant information to embassies to provide the Lebanese the right to claim back citizenship and the right to vote

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Measure 11.2.4.

Increase budgets for embassies located in countries with large Diaspora and use funds to develop a website and databases, and engage and register Lebanese expatriates

Measure 11.2.5.

Target professionals, professors, and the like and invite them to take part in activities in their home country: visiting professors at Lebanese universities, partners in specialized projects, etc.

National Priority

12

Support Disadvantages and Set-up Safety Nets

Due to fiscal, monetary or political constraints, successive governments have failed or overlooked to devise a social plan, depositing most of the workload to NGOs and international donors, intervening only to meet the bare minimum of needs, with limited resources allocated to line ministries. A vision to address the alarming level of unemployment, the migration of skilled graduates, the high level of poverty – mostly in rural areas, as well as the empowerment of women, remains lacking. No plan of action has been proposed to deal with these challenges in a comprehensive manner, and hence the new government must include a detailed chapter covering the human and social development in its Ministerial Declaration with clearly defined objectives and concrete proposals with timelines. In the interim, and until long-term plans have been made, a number of measures can be launched immediately.

The annual cost of certain social programs, such as end of service indemnities, has reached unsustainable levels, surpassing the mark of LL1,000 billion per annum and constituting one of the largest expenditure shares in the fiscal budget. The health and family care plans of the social security system have created actuarial imbalances and have reached limits that necessitate major reforms to restore viability and sustainability of the whole system.

Aside from a couple of workshops to deal with Pension Reform, the government has failed to make inroads, often due to political bickering. Efforts to streamline education or health funds have been fruitless, a fact that can no longer be overlooked. Harsh reforms must be introduced and the public must be ready to accept an end to free money, but in return, the system must function efficiently thus eliminating the need for political intervention to gain what is rightfully due.

An adequate state pension plan ensures the renewal of the work force, particularly at the public sector level, and allows for the creation of jobs for the younger generation. At the present, civil servants work beyond their retirement age, as their pension is insufficient to sustain them in their old age, hence crowding out the younger entrants to the labor force.

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Policy Target 12.1. Reduce unemployment and Introduce Safety Nets

Main Headings

- Structural and frictional unemployment
- Unemployment compensation scheme
- Social safety nets
- Role of public sector

Select Measures

Measure 12.1.1.

Create intra-ministerial committee (e.g., labor, economy, social affairs) to develop strategy to deal with unemployment compensation schemes or other safety nets

Measure 12.1.2.

Launch lifelong learning center to target and train employees to progress or the unemployed fired for structural reasons (i.e., lack of skills)

Measure 12.1.3.

Re-launch cooperation work with the World Bank and revive the intra-ministerial committee set up for Paris III to devise and enact viable safety net programs including direct payment projects to the extreme poor

Measure 12.1.4.

Build on initiatives to be identified in the Education Strategy to target – with specialized training - the unskilled labor force or the long-time workers whose jobs faced cancellation due to technological changes

Policy Target 12.2. Reform Social Security and Pension Schemes

Main Headings

- Social Security (NSSF): mandate, services, and processes
- Pension plans and end of service indemnity
- Health coverage

Select Measures

Measure 12.2.1.

Re-launch the pension reform project between the World Bank and the Ministry of Finance with the objective of eliminating wasteful programs and double coverage, and achieving widest coverage

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Measure 12.2.2.

Adopt new regulatory framework and tax incentives for private pension funds schemes

Measure 12.2.3.

Re-launch technical discussion on Old Age draft law of 2004, and start the evaluation of the Optional Social Security Program

Measure 12.2.4.

Create intra-ministerial committee to review and streamline all social programs and funds

Measure 12.2.5.

Introduce new technologies for maintaining databases, spending flows, and training of civil servants

Measure 12.2.6.

Correct actuarial imbalances in the Social Security Fund, primarily due to the family and health care components

Policy Target 12.3. Target and Support the Extreme Poor and the Disadvantaged

Main Headings

- Disadvantaged segments of society
- Equal opportunity
- Targeted support schemes and micro-finance
- Role of civil society
- Legislative framework

Select Measures

Measure 12.3.1.

Establish permanent committee – grouping NGOs, UNDP, and ESCWA - to address poverty reduction within a national strategy and to develop micro finance programs

Measure 12.3.2.

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

Measure 12.3.3.

Combat illegal child labor and trafficking, and abuse of children

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Measure 12.3.4.

Introduce with the collaboration of the World Bank, the Central Administration of Statistics and the Ministry of Social Affairs direct support schemes to the poor, with a particular focus on the elderly and the physically impaired

Measure 12.3.5.

Intensify cooperation with donors, NGOs, and promote joint management of programs launched by the Government but stalled due to resource constraints or bureaucratic obstacles

Measure 12.3.6.

Launch a working group under the sponsorship of the Lebanese University to map the legal framework and identify areas of stated or hidden discrimination and favoritism and present concrete recommendation directly to the Prime Minister

The Palestinian Situation

Any Lebanese government must face up to the fact that the social and human development of the 400,000 Palestinians in Lebanon is an international responsibility and not just a local one. Lebanon must therefore seek financial and technical assistance to improve the living of conditions of the population but more importantly invest in the young Palestinian labor force that would be re-injected into the global economy as skilled labor hence offering hope and securing welfare

National Priority

13

Combat Corruption and Conflict of Interest

Corruption in Lebanon is often viewed as someone else's vice. But an entity or individual is confronted with evidence implicating them, the standard answer is that everybody else is doing it. Although this is often true and the government is asked to enforce the law without discrimination, it is equally true that everyone must do his or her job in combating corruption and all forms of abuses.

It is unfortunate that the Lebanese government is often complacent but what is more worrying is that clear cases of corruption go unpunished because of political interference and the weak state of the central government. Such incidents, even if justified by officials with legal loopholes, fuel corruption and sends all kinds of negative signals to the Lebanese society.

Besides a few cases where politicians and upon assuming office acted as role model by resigning from a post or freezing their membership in a club, the Lebanese system is marred by conflict of interest and abuse of power. Ministers abuse their position to launch projects in their areas of influence and private investors utilize their connection to a decision-maker to benefit their business.

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Then there is the most commonly known form of corruption: Bribery. Essentially and without having to draw examples, almost everybody bribes everybody and every four years, candidates buy people's vote for a couple hundred dollars or whatever the going rate is.

To eradicate this *disease* that not only inject bad values but inflict dramatic cost to the economy, a long-term strategy must be put in place. And since chances are small for reaching a real consensus by a *de facto* corrupt society, success depends significantly on having a committed leadership for this cause. Any strategy must start with the introduction of heavy penalties and the constant enforcement of the law. Officers must be sheltered by increasing their compensation and subjecting them to regular awareness and training seminars.

However, the medicine to this embedded disease is not limited to enforcement. Corruption is often legalized and hence many laws must be amended. The role of civil society has been significant but only a partnership with the public sector will help make a larger impact. Along these lines, NGOs have identified key missing legislations, which if enacted like the accession to information draft, stands to close the gap but these proposals need the backing and sponsorship of enlightened politicians.

This war on corruption requires a long lasting public campaign and if need be a *name and shame* policy, much like the Emirate of Dubai did a couple of decades ago when it started naming criminals harassing women tourists or like western media is doing today regarding bank executives spending tax payers money to hold unnecessary meetings in lavish resorts or flying on their private jets to US Congress to request additional money.

Lebanon and the Lebanese should soon realize that corruption or abuse of power is not a reflection of smartness or intelligence but is a very costly crime affecting individuals and the economy at large and hence must act together with the government to transform, albeit slowly, the prevailing culture.

Policy Target 13.1. Combat Corruption and Promote Transparency

Main Headings

- Access to information
- Role of civil society
- Disclosure policy
- Bribery

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Select Measures

Measure 13.1.1.

Enact the Access to Information draft law

Measure 13.1.2.

Set-up a permanent committee grouping civil society, OMSAR, and other relevant entities to review on a regular basis latest development and present measures or draft legislations to be sponsored by OMSAR before the Council of Ministers

Measure 13.1.3.

Promote a *name and shame* policy and culture naming individuals and entities that are proven to have abused their powers or engaged in corrupt behavior

Measure 13.1.4.

Use the case or verdict of corrupt behavior as a factor in denying someone a job or an entity a contract or the sort

Measure 13.1.5.

Amend laws to protect the identify of whistleblowers

Measure 13.1.6.

Create a deposit and information window at all public entities including service delivery ministries and regional government offices (i.e., with employees located in the back office) and eliminate the need to make photocopies and buy stamps with fees stamped on the form and paid at the outset.

Policy Target 13.2. Combat Money Laundering and Illegal Enrichment

Main Headings

- Legal framework
- Role of the Central Bank
- Role civil society

Select Measures

Measure 13.2.1.

Amend the Enrichment Law to close loopholes, introduce investigative clauses, and render it in line with international conventions

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Measure 13.2.2.

Modify bank secrecy law and anti-money laundering law (*Ex-officio* lift of bank secrecy on Lebanese and foreign public servants – operating in Lebanon, Members of Parliament, and Ministers)

Measure 13.2.3.

Maintain existing Central Bank Policy on money laundering and introduce a random investigation mechanism of accounts and transactions

Policy Target 13.3. Promote Corporate Governance and Expose Conflict of Interest

Main Headings

- Code of ethics
- New values
- Awareness and learning campaign

Select Measures

Measure 13.3.1.

Applaud firms that adopt and adhere to code of ethics

Measure 13.3.2.

Embed new values into the corporate world and in the public sector by requiring staff and civil servants to take part in regular awareness-raising and learning seminars prepared in coordination with civil society and international organizations

Measure 13.3.3.

Ensure that legislators introduce a clause on conflict of interest in future draft laws and propose clear terms for identifying abuse and set heavy fines

Measure 13.3.4.

Launch a public campaign to promote corporate governance and basic values and lobby for ethical behavior taking advantage of the global public opinion favoring transparency and against greed

National Priority

14

Combat Pollution & Promote Green Lebanon

If a tourist or a foreign investor is asked what is your impression of Lebanon, it is very likely that noise or air pollution will among the first things to be mentioned, in addition of course to traffic and reckless driving. For a resident of Keserwan, acid rain has become part of everyday life thanks to the Zouk Power Plant; and for a

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resident of larger Chekka, asthma and unknown allergies are as common as diabetes and flu.

Car emission, and in particular from red diesel powered vehicles, is a source of great concern although the law prohibiting them is enacted but enforced for a few weeks and only after public outrage. Mind the fact that buses with certain capacities are still exempted from this dormant piece of legislation.

Then, there is waste treatment and the infamous cases of the two mountains in Saida and Bourj Hammound. Both sites located at sea level pollute the water and hence the fishery industry as well as the air make life unbearable for residents living miles away from each dump. And if you live in a neighborhood like Adonis or Zouk Mikayel where most residents do not vote in local elections, it is often the case to observe roads flooded from broken sewage pipelines.

Unfortunately the problems are not all generated because of economic limitations or bad planning. Residents of Monot or Gemayze and now Hamra cannot park in front of their homes (due to Valet services) and more importantly cannot sleep before every night-goer decides to have his last drink and honk his car at 3am before speeding away. Fireworks and yes firearms have become a recent source of noise in dense residential areas following a speech of a politician or the marriage of a couple.

Finally, any observer over the last 5 to 10 years cannot but witness the degradation of the environment from the seashore to the mountain top as well as the sad destruction of all symbols of Lebanese heritage. It is equally unfortunate to realize that in both cases, Lebanese citizens, blinded by easy money, are to blame. The number of traditional homes and building across major cities is dwindling, in fact neighborhoods are being erased to be replaced by vertical structure and no room for a mini park or a playground.

In a nutshell, Lebanon is in a catastrophic state, whereby partial or *ad hoc* measures will not suffice. The government must declare the state of the environment a national emergency and act swiftly by introducing a comprehensive and bold strategy to address every aspect to minimize the loss and avoid reaching the point of no return.

Policy Target 14.1. Combat Air and Water Pollution

Main Headings

- Car emissions
- Sewage treatment
- Industrial dumping
- Amend policies and fiscal instruments
- Awareness raising

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Select Measures

Measure 14.1.1.

Enforce an enforcement policy against red diesel and introduce a gradual strategy for the importation of clean diesel and natural-based public buses

Measure 14.1.2.

Increase penalty on industrial polluters

Measure 14.1.3.

Subsidize waste treatment plants and garbage collection companies across the country

Measure 14.1.4.

Introduce a carbon tax and pollution rights

Policy Target 14.2. Combat Noise Pollution

Main Headings

- Construction and public works noise
- Nightlife related noise
- Private events and fireworks
- Road and driver-generated noise

Select Measures

Measure 14.2.1.

Amend laws to increase penalty for abusers

Measure 14.2.2.

Enforce the prohibition of fireworks inside the city and in residential areas

Measure 14.2.3.

Set up a hotline for complaints of all kinds of noise pollution

Measure 14.2.4.

Train (and raise awareness) police officers on noise pollution and how to enforce relevant laws

Measure 14.2.5.

Raise awareness on car-generated noise before empowering police officers to issue citations

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Policy Target 14.3. Stop Environmental Degradation & Promote Green Lebanon

Main Headings

- Public spaces
- Green parks and forestry
- Quarries and recycling
- National treasures and heritage

Select Measures

Measure 14.3.1.

Outlaw any construction (temporary or temporary) in areas ravaged by fires and regulate wood collection and coal production

Measure 14.3.2.

Build public parks, public spaces, and playgrounds in particular in Beirut and residential suburban areas (provide tax credit to municipalities that secure green areas)

Measure 14.3.3.

Outlaw quarries permanently, and remove temporary measures and special exemptions

Measure 14.3.4.

Provide incentives (tax credit) to entities that recycle and to municipalities that introduce recycling plants or recycling programs

Measure 14.3.5.

Enforce relevant laws protecting historic building and sights (e.g., neighborhoods in Beirut or the natural rocks in the Keserwan-Faitroun mountains) and introduce more conditions on parties requesting any demolition