In the period since May 2007, the European Commission has organised a series of Inter-Lebanese Fora in Beirut, with the aim of facilitating open debate and building consensus on the key economic and social reform challenges facing Lebanon. To date, four fora have been organised, addressing: (i) overarching issues of economic and social policy, (ii) social policy issues more specifically, (iii) the competitiveness of Lebanese enterprises and SME development, and (iv) agriculture.

The fora were inclusive, bringing together representatives of Lebanon’s parliamentary blocs and professional associations with Lebanese experts in discussions moderated by leading members of the Euro-Mediterranean network of economic research institutes (FEMISE). The European Commission acted as catalyser and facilitator.

Despite the sometimes difficult political environment, each of the fora discussions was successful, in that it led to common agreement on reform priorities.

This brochure sets out the guiding principles used in the organisation of the fora, and annexes the conclusions agreed by all participants.
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The idea of holding meetings among the various Lebanese political groups to discuss economic and social development in Lebanon emerged in early 2007. This period saw an increasing polarisation of Lebanon’s political factions. Nevertheless, it was at the same time clear that the country needed to move forward in its reform process in order to address socio-economic challenges that had been brought into relief by the violence of 2006 and the reconstruction that followed.

The Lebanon/EU Action Plan adopted in January 2007 under the European Neighbourhood Policy is in some sense a “roadmap” for reform. The Lebanese Government also introduced a programme of major reforms on 25 January 2007 during the Paris III conference. Daily political discourse rarely tackled the socio-economic realities of the country, however, and to advance the needed reforms, it was felt that efforts were necessary to create a bridge for dialogue, with the aim of reaching a consensus on at least some key steps. I was convinced that the economy could be - for Lebanon as it had been for Europe - an important factor of rapprochement between seemingly irreconcilable camps.

It seemed that only a “neutral” space could enable representatives of political parties and social and economic bodies to freely discuss such issues, and we were encouraged to organise the necessary debate by various members of the Government and political parties, whose approval of our proposal to do so was oft-repeated.

Once we had obtained the agreement of Lebanon’s authorities and political leaders, a first Inter-Lebanese Forum on Economic and Social Development was organised on 29 and 30 May 2007. This was moderated by experts from the Euro-Mediterranean Forum of Institutes of Economic Sciences (FEMISE), Dr. Ahmed Galal and Prof. Jean-Louis Reiffers, and brought together representatives of the country’s key political forces, the main professional associations and the General Confederation of Lebanese Workers (GCLW), with the aim of forging a vision of Lebanon’s economic and social future common to all participants.

It was our view that the conclusions agreed by all representatives after two days of debate were proof of a readiness by all parties to work together to build a stable and prosperous country. Bolstered by this successful first experience, we subsequently organised (over the following twenty-four months) three further fora, devoted to social policy, small- and medium-sized enterprises, and agriculture.

Notwithstanding the organisation of a fifth forum that is still to take place, it is time to put into practice the recommendations that have emerged from the first four meetings. We are currently working, with the administration and the various Lebanese parties to the fora, to establish a process which will allow the drafting of concrete recommendations based on the conclusions of the fora, via the establishment of a follow-up committee. We hope that the general guidelines shared by the fora participants as well as the concrete recommendations on economic and social policy to be issued by this follow-up committee will be taken into consideration by the next Government. This decision will of course be the responsibility of the Lebanese State, but we will be ready to help, should this be deemed useful and appropriate.

Patrick Laurent
Ambassador, Head of the Delegation of the European Commission to Lebanon
In all efforts at building consensus, practical organisation and preparation from A to Z is vitally important. This is especially the case when other avenues of dialogue are closed, as was the case when the Inter-Lebanese Fora were launched. The Delegation of the European Commission (EC) to Lebanon took particular care to bring all stakeholders on board, prepare the ground for considered discussion, facilitate dialogue, identify common ground and promote transparency.

Bringing the stakeholders on board

The Delegation’s decision to invite the political blocs represented in Parliament to participate reflected the need to bring together representatives of the key political parties while keeping the fora practical and effective. It also underlined the EC’s confidence in and support of Lebanon’s democratic system and state-level institutions.

The Delegation worked hard at the level of the heads of the parliamentary blocs and their working level experts/think-tanks in order to (i) advance a common understanding of the importance of taking forward the reform process, despite political differences, (ii) promote participation in each of the fora by the right people (parliamentarians and/or experts, in function of the discussions to be held) and (iii) ensure that the participants would be formally mandated to sign shared conclusions on behalf of their leaderships.

In addition to the political blocs, representatives of the private sector and trade unions were invited as key stakeholders in the process of reforms. This had the two-fold benefit of ensuring that (i) discussions would benefit from the practical expertise of the agriculturists, industrialists, bankers, traders and trade unionists - and therefore remain relevant and realistic - and (ii) the conclusions would enjoy broad support.

For each forum, the government was informed of preparations. It was invited to attend the opening session, and normally did so at ministerial level.

Facilitating dialogue

EC sponsorship of the process brought all stakeholders to the table, but the Commission decided from the earliest stages that the fora would need to be prepared and moderated by internationally-recognised experts in economic and social policies. This would not only allow participants to draw on world-class expertise but also maintain the character of the fora as specifically inter-Lebanese and at one remove from the policy priorities of the EU.

The EC therefore turned to the co-chairs of the EU-sponsored Euro-Mediterranean network of economic research institutes – Forum Euro-Méditerranéen des Instituts de Sciences Economiques (FEMISE) – Dr. Ahmed Galal and Pr. Jean-Louis Reiffers, to provide their personal time, input and expertise to prepare and facilitate discussions at the fora.

Consultations were held with the participants in advance, in order to clarify the purpose of the forum, receive information on stakeholder views and identify key needs for and obstacles to reform.

In addition to FEMISE, HE Dr. Elias Saba, Dr. Charbel Nahas and Mr. Kamal Hamdan were brought into the process to ensure the fora were able to draw on Lebanese expertise.

Setting the ground for considered discussion

The choice of topics was important: the fora were conceived as a series of five discrete events, starting with a horizontal “framework” discussion on economic and social policies.
(May 2007) in order to promote agreement on the general principles of the country’s future development, shared by Lebanon’s elected representatives and the key economic and social partners of the State. This framework discussion was followed by three distinct fora addressing the most urgent issues: (i) social policy: health, education, social safety nets and pension reform (April 2008), (ii) the competitiveness of Lebanese enterprises and SME development (October 2008) and (iii) agriculture (February 2009). A fifth forum on public financial management is still to take place.

For each forum, consultations were held with the participants in advance, in order to clarify the purpose of the forum, receive information on stakeholder views and identify key needs for and obstacles to reform. These consultations led to the drafting of a “concept paper” by FEMISE, setting out the issues at stake, the questions to be discussed and areas of possible agreement or disagreement. The concept paper was in each case circulated to participants at least four weeks in advance of the forum, with a request that participants draft their own position papers, also for distribution. While not all parties drafted such papers, there was significant take-up of the proposal.

The fact that discussions between participants were to remain confidential until agreement on a text was reached served to build confidence and promote open discussion.

Identifying common ground

In addition to the concept paper drafted by FEMISE, the network of economic research institutes was contracted to produce an in-depth background paper setting out the situation of the sector/issue to be discussed for each forum (documents available on the website of the Delegation of the European Commission to Lebanon).

In each case, the circulation of written documents meant that areas of agreement could be easily identified and consequently more time allocated to areas of potential disagreement. This was also a process in which stakeholders were in some cases obliged to determine an official position for the first time.

Each set of conclusions reflected a vision shared by the representatives of all political forces in Parliament on key economic and social development matters.

In each forum, one full session was dedicated to forging agreement on the text of shared conclusions, to commit the stakeholders to the common ground identified during the meeting.

Promoting transparency

Apart from the process of sharing position papers between participants in an effort to improve transparency, and which often led to a better understanding of areas of potential agreement, the EC promoted the public dissemination of information on the agreement reached in each forum, via a press conference in which all stakeholders were invited to participate. The majority of participants regularly did so, displaying the capacity of all to address sometimes difficult issues objectively and with the greater good at heart, and explaining to the press their experience in working in the fora.

The conclusions of each forum were transmitted by the EC to the President of the Republic, Speaker and Prime Minister, as well as to the key Ministries, the heads of the political parties and all participants, noting that each set of conclusions reflected a vision shared by the representatives of all political forces in Parliament on key economic and social development matters.
At the request of the participants in the Inter-Lebanese Fora, it was decided to look into how best to translate the agreed conclusions into legislative amendments and change on the ground.

**Establishment of a follow-up committee**

Following discussion with the President of the Republic, Speaker, Prime Minister, leaders of the blocs represented in Parliament and with Government Ministers, it was agreed that the Lebanese would establish a follow-up committee, under the chairmanship of the Ministry of Finance represented by the Minister and Director-General and with the participation of all those previously involved in the inter-Lebanese fora, to take this work forward.

The follow-up committee is to examine each of the areas of agreement from the fora, and wherever relevant draft concrete proposals for their implementation.

A first meeting of the follow-up committee was held on 3 February 2009.

**Using the administration’s expertise**

The implication of the Finance Ministry is important in order to make use of the Ministry’s reform-driving expertise and ability to mobilise other Ministries where appropriate, as well as launch the transition away from direct involvement of the European Commission and promote Lebanese ownership.

**Promoting the application of the conclusions**

The involvement of the Government at this early stage should help with the practical application of the fora conclusions.
The experts’ point of view

“To me the Inter-Lebanese Forum was one of the most rewarding experiences although I was fortunate to work for more than 30 years as a development economist on different parts of the world. Not only was the experience rewarding because it was possible to bring different political parties to sign off a common communiqué at the end of each round of discussions, but also because the process itself was fascinating.

Starting from very different positions, the parties were able to see the merits of opposing views and were willing to reach acceptable compromises across such diverse issues as socio-economic vision for Lebanon, integrated social policies, competitiveness of enterprises, and rural development.

What made it all work? From my perspective, it took the convening power of the European Commission, the participation of independent minded moderators and above all a willingness on the part of different political parties to put the interest of Lebanon above their own narrow interests. Without this combination the process is not likely to have gone very far."

Ahmed Galal
President, FEMISE

“Not only was the experience rewarding because it was possible to bring different political parties to sign off a common communiqué at the end of each round of discussions, but also because the process itself was fascinating.”

Notwithstanding the above, the real benefits from the Inter-Lebanese Forum remain unrealised. My sincere hope is that agreed reforms will be translated by policy makers in Lebanon into policies on the ground to the benefit of all the Lebanese.”

Ahmed Galal
President, FEMISE

“The Inter-Lebanese Forum was a unique experience in that we were able to reach agreement between the various Lebanese parties at a time which was still politically sensitive. The success of the various fora was general since agreement was reached between all parties on sensitive issues such as the strategy for economic development, social policy, development of Small and Medium Enterprises (SMES) and agricultural policy. The keys to success were in my opinion the following. Firstly, participants’ willingness to address the issues we proposed in our preparatory concept papers with an open mind. From this point of view, it was clear that the initiative of the Delegation of the European Commission was taken at the right time. Secondly, the FEMISE, a network set up by the Commission on the basis of a North-South partnership, has the rare specificity of working in constant partnership with experts on both sides of the Mediterranean, and in a fully balanced way. As a result, its analysis and output were considered by participants as resulting from a vision shared by FEMISE coordinators and therefore as honest and objective.

Thus, trust has increased in the fora over the past two years, especially given that the Commission scrupulously respected our independence in the production of accompanying analysis and the conduct of debates. Thirdly and finally, the debate between experts and representatives of markedly different political currents required putting the Lebanese context in its entirety at the centre, regardless of prior visions and interests. This led to contextualised recommendations, accepted by all and with a level of precision that should facilitate their operational implementation”.

Jean-Louis Reiffers
Chairman, FEMISE Scientific Committee
Chairman, Scientific Council of the Mediterranean Institute
(Marseilles, France)
Appendices
Texts of the agreements reached between participants in the Inter-Lebanese Fora on Economic and Social Development
Conclusions of the first Inter-Lebanese Forum

Economic and social development

(Beirut, 29-30 May 2007)

Upon the invitation of the European Commission Delegation to Lebanon, representatives of Lebanese political parties represented in Parliament, professional associations and independent experts met to debate the future socio-economic development of Lebanon. The meeting took place in Beirut on 29 and 30 May 2007, moderated by FEMISE coordinators.

The objective of the meeting was to help develop a common vision of those economic and social policies that will benefit all of Lebanon. The participants were able, collectively, to define a common economic and social vision of Lebanon.

The participants engaged in a constructive dialogue addressing the overall vision for economic and social development in Lebanon, the public debt and economic growth, the role of services, industry and agriculture in the Lebanese economy and issues of social policy, regional development and territorial convergence. There was consensus on the following:

The participants favoured a vision of social and economic policies that places equal emphasis on economic growth, equity, regional development and territorial convergence. Participants underlined the need for the population to share the benefits of growth as they accrue. The implication of this vision is that policies should be judged at the time they are made not only on the basis of how much they contribute to growth, but also on how much they create decent and productive jobs, reduce poverty and help poor regions in the process of catching up with those regions that already enjoy a strong economic base.

The participants recognised that the Lebanese economy would need growth to be sustainable in order to generate productive jobs, reduce migration and capitalise on its most important asset, namely the Lebanese people. For this to materialise, it is important to take confidence-building measures to enable economic actors to form clear expectations about future developments. These measures include reducing the burden of public debt, in part by using some of the funds made available by Paris III, and in part by eliminating wasteful expenditures and restructuring taxes to raise more revenues in an equitable fashion. Fiscal adjustment needs to take place in such a way as to prevent recurring public debt and should be coherent with an appropriate monetary policy regime that keeps inflation and interest rates down.

On the sectoral front, the participants were convinced that the Lebanese economy would benefit from a greater diversification of industry, utilities reform (including electricity, telecoms and water) and greater competitiveness of agriculture. The participants agreed on the importance of ensuring an appropriate competition framework and that diversification and the gaining of new competitive advantages would reduce the vulnerability of the Lebanese economy to external shocks and capitalise on Lebanon’s skilled labour pool.

The participants concluded that macroeconomic balance is a prerequisite for industrial competitiveness. In addition, they pointed out the need to: (i) reduce transaction costs through more efficient regulation and contract enforcement and conflict resolution mechanisms, and (ii) design selective public sector interventions based on support of R&D, training and the promotion of access to new markets.

As for utilities reform, the participants agreed that the approach should be pragmatic. The choice of alternatives should be guided by the best way to make high quality, reasonably priced, competitive services available to consumers while allowing service providers a reasonable rate of return. The range of options includes privatisation and regulation, private management of publicly owned utilities or better management of state assets in some cases. In all cases, the government should set the policies and the institutional framework for the sector in question and engage the private sector only in concluding transactions. The privatisation process should be transparent, open and preceded by measures to ensure competition.

Turning to agriculture, participants emphasised the central role of the sector in improving the living conditions of the rural population, protecting the environment and reducing internal and external migration. They pointed out the need for: (i) agreement on and implementation of a national plan for agricultural and rural development, (ii) the establishment of an inter-ministerial committee, to be responsible for implementing the plan and defining necessary policies, (iii) a significant improvement in support for the Lebanese Agriculture Research Institute (LARI), (iv) special attention to be paid to producers’ organisations and cooperatives, (v) financial support and the rationalisation of subsidies to promote speedy adaptation to market changes, reinforcing the role of Kafalat and (vi) accelerating the implementation of the cadastral plan and the elaboration of an adequate land-use policy.
There was a universal consensus among participants on the importance of both social equity and territorial convergence for Lebanon’s long-term prosperity and stability. A “Schéma Directeur d’Aménagement du Territoire Libanais” (SDATL) was regarded as a useful reference for public policies and investment and for land use and considered as a tool for rationalising the use of resources and for the reinforcement of national solidarity. To achieve better social outcomes, they agreed that: (i) economic policies should be judged on the basis of their impact on both growth and equity, (ii) social services (e.g., education, health, water, sanitation and solid waste management) need to be improved and made available to everyone, and (iii) a safety net is important, including reformed social security system (National Social Security Fund), cash transfers for the most needy and possibly an unemployment insurance and retirement scheme. The specifics of such programmes should be developed without imposing an excessive burden on the treasury and with an appropriate involvement of non-state actors.

To bring about territorial convergence, the participants emphasised the importance of administrative decentralisation that both empowers local citizens while adhering to national plans of development. They put forward the idea of consolidating the number of local entities where relevant and possible, and allowing them to participate in a suitable forum at the national level. They also suggested alternative ways to help rural areas, including the idea of economic zones, new forms of tourism and other successful sectors, and targeted public and private investment programmes based on objective criteria.

Done in Beirut on 30 May 2007, and agreed by:

**The following political parties:**
- Amal Movement: Dr. Chawki el-Moussaoui
- Popular Bloc (Beqaa Bloc): Dr. Nabih Ghanem, Mr. Tony Choueiri
- Future Movement: Dr. Nadim Mounla, Mr. Mazen Hanna
- Free Patriotic Movement: Dr. Charbel Cordahi, Dr. Samir Medawar
- Lebanese Forces: Mr. Joseph Nehmeh, Mrs Nayla Abi Karam, Mr. Fouad Rahmeh
- Democratic Left: Mr. Rabih Khaled, Mr. Samer el-Ayyach
- Kataeb Party: Mr. Melhem Saad, Mr. Walid Khoury
- Hezbollah: Mr. Abd el-Halim Fadlallah, Mr. Hassan Kazan
- Socialist Progressist Party: Mr. Mahmoud Abou Chacra
- Tachnag Party: Mrs Suzy Semerdjian, Dr. Sebouh Aintablian

**The following professional associations:**
- Association of Lebanese Agriculturalists: Mr. Antoine Hoayeck, Dr. Boutros Labaki
- Association of Banks of Lebanon: Dr. Makram Sader, Dr. Nassib Ghobril
- Beirut Traders’ Association: Mr. Arslan Sinno, Mr. Beaudart Issa
- Association of Lebanese Industrialists: Mr. Antoine Richa

Under the chairmanship of the Head of the Delegation of the European Commission to Lebanon, HE Mr. Patrick Laurent, assisted by the coordinators of the FEMISE, Dr. Ahmed Galal and Pr. Jean-Louis Reiffers, and with the help of the independent Lebanese economists, HE Dr. Elias Saba, Dr. Charbel Nahas and Mr. Kamal Hamdan.
Conclusions of the second Inter-Lebanese Forum

Social policy

(Beirut, 21-22 April 2008)

Upon the invitation of the European Commission Delegation to Lebanon, representatives of the Lebanese political blocs in Parliament and major political parties, professional associations and independent experts met to discuss the most desirable and appropriate social policies for Lebanon. The meeting took place in Beirut on April 21-22, 2008. This round of the Inter-Lebanese Fora builds on the success of the first round, which was held in Beirut on May 29-30, 2007, to discuss a broad socio-economic vision for Lebanon. It will be followed by three other meetings to discuss the development of small and medium enterprises, agriculture and territorial convergence, and public finance and the use of external funding.

The participants agreed on the main principles and policies that will help Lebanon reduce current social imbalances and bring about national cohesion.

The starting point is that the time is ripe for new social policies. Notwithstanding past and on-going efforts, the participants agree that more coherent social policies are needed, especially with respect to employment generation, better and more equitable access to health and quality education services, and to safeguard and protect the old, handicapped and other vulnerable groups in Lebanon.

The participants agreed that the best approach to dealing with social issues is “integrated social policies” rather than “compensatory social policies”. The integrated approach combines multiple instruments to improve the livelihood of all Lebanese, especially of the poor and the middle class, and confidence in the future. They considered the compensatory approach, which focuses on ameliorating the adverse effects of reforms and other shocks, to be temporary in nature and only addresses the concerns of subsets of the population.

In thinking about the design and implementation of integrated social policies, the participants endorsed the following principles:

- Social policies should focus on all Lebanese, without discrimination on any grounds, paying special attention to the poor, excluded or marginalised.

- Social policies should be consistent with fiscal sustainability and enterprise competitiveness so as not to adversely affect the poor through high inflation, low growth and forgone job opportunities. Choices should be based on explicit trade-offs between various options and concerns.

- The implementation of social policies requires a new institutional set up and legislative change where necessary. The exact configuration of this set up will need to be defined after further consultation. However, the participants did not necessarily insist on the creation of new institutions, but neither did they exclude this possibility. What is important is that such institution should have a clear mandate, well defined functions, adequate resources, be held accountable, and be evaluated by an independent agency against planned targets.

- A firm definition of social benefits and mode of delivery will be decided by concerned parties in an open and transparent manner.

With respect to employment, the participants concurred that providing gainful and productive employment in decent conditions is the most effective instrument of social policy for a large segment of society, especially the poor. Currently, job creation is limited, creating relatively high rates of unemployment and fuelling exceptionally high level of migration of educated youth. At the same time, low skilled immigration is sustained with little control or respect of their rights and responsibilities. Wage policies are deficient in that they are considered excessive by employers and insufficient by employees. The informal sector employs more than 40 percent of all workers, who must endure uncertainty, long working hours, low wages (and productivity) and none of the social benefits associated with being employed. In addition, statistics about employment and unemployment are not collected and distributed in a timely fashion.

To address these problems, the participants agreed that a coherent package of reforms is needed. These reforms include improvements in macroeconomic conditions and the business environment to boost productive investment and economic growth and create jobs for an increasingly educated population. In addition, special programmes are needed to create jobs where the poor are concentrated, to promote formalisation of small- and micro-enterprises, to improve wage policies as well as the collection of statistics. Since poverty is concentrated in specific localities (especially in rural/agricultural areas), it may be necessary for the government to invest in infrastructure and/or promote businesses in these areas. As for enterprises in the informal sector, mostly in urban areas, the participants agreed that sustained effort is needed...
to make it easier for them to enter the formal sector and stay there, thereby benefiting themselves, those employed in that sector and the government as a tax collector. The effort will include measures to make it easier to enter, operate and exit the formal sector, with additional support to access credit, markets and contracts with larger producers and relieve formal businesses from distortions and discrimination. Finally, the participants agreed that wage policies should take into consideration two key factors: inflation/cost of living and productivity. At the same time, participants expressed a strong desire that such policies should be consistent with maintaining the competitiveness of enterprises at home and abroad.

The participants recognise that the education system in Lebanon is relatively good compared to the education systems in other countries in the region, when measured by the criteria of access, quality, efficiency and equity. Yet, they agree that the system – especially the public system - can do much better in terms of improving the quality of education, reducing drop out rates, reaching the poor, aligning the mix of graduates with labour market demand and enhancing national identity. They called for a set of reforms involving compulsory education at least up to the age of 15 years, permitting better allocation of teachers between schools, ensuring better geographical distribution of schools and improving teacher qualifications. They also supported the promotion of critical thinking and the development of a general guide of professional qualifications. Where a mismatch between labour supply and demand is evident, participants recommended the development of on the job training, internships, and vocational schooling and a system of planning school orientations according to labour demand.

In addition, the participants supported the restructuring of government expenditures on education in favour of basic education for all, while playing a stronger regulatory role vis-à-vis the providers of education. Still in the area of finance, they agreed on the need to rationalise expenditures by reducing the cost of administrative overheads and increasing investment expenditures, where justified on economic and social grounds. To ensure that qualified but needy students are not deprived from accessing higher education, they endorsed the idea of devising equitable scholarship/loan programmes. Equally important, they endorsed the idea of developing a curriculum for all Lebanese that enhances inclusion and national cohesion. Emphasis on citizenship and history of the country is particularly important.

With respect to health, the services provided in Lebanon are considered to be of higher quality than those provided by countries at a similar level of per capita income. However, the participants also agreed that the system globally suffers from several economic deficiencies. The system is costly relative to the benefits it generates. It is highly fragmented, adding to the escalation of costs. The participants also considered it unacceptable that over 50 percent of the residents in Lebanon and about half the active labour force do not benefit from any health insurance.

To address these problems, the participants called for changes to make the system more efficient while ensuring that the poor also have access to these services. To this end, they called for the consolidation of health providers, with a shift in the role of the Ministry of Health from being a provider to becoming a regulator. They endorsed the idea that government expenditure should be directed to a larger extent at covering preventive or primary health care services and less on curative or secondary services. And they recommended full coverage of all Lebanese against a well defined set of benefits.

Even if all the above reforms are adopted, the participants noted the need to revisit the framework for providing safety nets that deal with the subset of the population who do not have the minimum means to live decently. This group includes the disabled, old, too sick to work, female headed households, the young and similar disadvantaged citizens. While recognising the benefits from ongoing activities in the form of providing micro-credit to Small and Medium Enterprises (SMEs), programmes for the disabled, and attempts at identifying the poor, they considered these efforts to be modest compared to the needs. They also noted the absence of a full poverty map identifying the characteristics of all households who may deserve targeting through cash transfers, school or health
support, or other forms of support. The biggest deficiency of all is that they do not address the problem of missing pension and health insurance for a large segment of the population.

To address these problems, the participants strongly endorsed the adoption of a national pension system as well as a national health insurance system. They also endorsed the creation of unemployment insurance in principle, but the details will have to be worked out at a later stage. Furthermore, they supported the creation of a database, which should be continuously updated in order to identify and monitor the changes in the target groups for cash transfers and other programmes.

More specifically, the participants agreed on the establishment of a unified and universal basic health insurance system, for all Lebanese, as well as others, as appropriate, managed by the National Social Security Fund (NSSF) and funded by the budget after eliminating the compulsory contributions to the official health schemes and their integration within the wage adjustment. The system would make room for the various existing or any future complementary and voluntary coverage schemes.

In a parallel move, the participants agreed to the establishment of a unified basic pension system in line with the most recent draft law presented to Parliament. That system would replace the existing end of service and pension systems managed by various entities, and would apply to all Lebanese as well as others as appropriate and also, on a voluntary basis, to Lebanese nationals working abroad. The pension fund would allow for complementary systems managed by mutual funds or private insurance companies. It would be based on individual capitalisation up to a given ceiling with a defined guaranteed level of benefits as an expression of social solidarity. The entity in charge of the management of this pension system should be subject to proper auditing and financial supervision.
Done in Beirut on 22 April 2008, and agreed by:

The following parliamentary blocs:

- Future Movement Bloc: Mr. Mazen Hanna
- Armenian MPs Bloc: Mrs Marie-Louise Baboyan-Azezian, Mrs Shaghig Hudaverdian
- Development and Liberation Bloc: HE Mr. Anouar el-Khalil, HE Mr. Yassine Jaber, Mr. Ali Bazzi, Mr. Nasser Nassallah
- Loyalty to the Resistance Bloc: Mr. Abd el-Halim Fadlallah, Mr. Sultan Assaad
- Lebanese Forces Bloc: Mr. Joseph Nehmeh, Mrs Nayla Abi Karam, Dr. Zaki Ghorayeb
- Kataeb Party Bloc: Mr. Melhem Saad
- Popular Bloc (Beqaa Bloc): Mr. Tony Choueiri, Dr. Ali Yaacoub
- Democratic Gathering Bloc: Dr. Talal Jaber, Mr. Henri Helou
- Change and Reform Bloc: Dr. Adonis Accra, Dr. Maroun Ghabach
- Syrian Social National Party Bloc: Dr. Marwan Fares, Mr. Rami Qamar
- Tripoli Bloc: Dr. Joseph Gemayel, Mr. Antoine Constantine

The following professional associations:

- Association of Lebanese Agriculturalists: Mr. Antoine Hoayeck
- Association of Banks of Lebanon: Dr. Makram Sader, Mr. Pierre Abou Ezze
- Beirut Traders Association: Mr. Arslan Sinno, Mr. Beaudart Issa
- General Confederation of Workers in Lebanon: Mr. Ghassan Ghosn, Mr. Boutros Saade

Under the chairmanship of the Head of the Delegation of the European Commission to Lebanon, HE Mr. Patrick Laurent, assisted by the coordinators of the FEMISE, Dr. Ahmed Galal and Pr. Jean-Louis Reiffers, and with the help of the independent Lebanese economists, HE Dr. Elias Saba, Dr. Charbel Nahas and Dr. Kamal Hamdan.
Conclusions of the third Inter-Lebanese Forum\(^1\)

**Competitiveness of Lebanese enterprises and competition**

( Beirut, 15-16 October 2008)

At the invitation of the European Commission Delegation to Lebanon, representatives of Lebanese political forces represented at the Parliament, professional associations and independent experts met to discuss the most desirable and appropriate policies for Lebanon in the fields of the competitiveness of enterprises and competition. The meeting was convened in Beirut on 15-16 October 2008 and moderated by the FEMISE coordinators. This meeting of the Inter-Lebanese Forum follows earlier fora held on 29-30 May 2007 and 21-22 April 2008, which respectively tackled the general vision of Lebanese economic and social development and social policies.

The participants underlined several points that require an ambitious and coordinated policy response. In the first place, the existence of a stable political environment is a necessary prerequisite for Lebanon’s economic prosperity. The participants highlighted the fact that the Lebanese economy needs to develop a stratum of Small- and Medium-sized Enterprises (SMEs) in all sectors, capable of generating added value, of going beyond meeting the needs of the domestic market, and of growing in order to benefit from economies of scale. They also underlined the need to boost job opportunities and reinforce quality and factors related to the dynamism of the sector, in particular regulated competition in an environment favourable to business. They pointed out that the focus should be, first and foremost, enterprises with fewer than 10 employees, which represent 99% of total number of enterprises and 82% of employment outside the public sector.

A framework for all firms

In terms of the necessary elements concerning all companies, the participants highlighted the need to address infrastructure related to electricity, telecommunications and transport, competition policy and efforts to reduce the cost of transactions.

First, participants recognised the centrality of the issue of electricity infrastructure. Without going into great detail on the means by which to improve the production/distribution of electricity, the participants underlined the existing and growing deficit of power in Lebanon (500 Megawatts), which required the elaboration and implementation of an energy plan. Particular attention should be paid to the spread of telecommunications infrastructure throughout Lebanese territory, to the related issue of pricing and to the development of the transport network.

Second, concerning competition, the participants indicated that it was necessary to implement an efficient competition mechanism at the national level. They approved the idea of establishing a National Competition Council or a High Competition Authority that would have the powers of investigation, decision-making and sanction. This structure would have the responsibility to draft an action programme for all concerned ministries and to verify (sanction) its (non-) implementation. The participants stressed the need for a modern competition law able to combat the different monopolistic practices.

Third, the participants recommended that efforts to cut red tape should be speeded up. This implies that the action plan for administrative simplification that is before Parliament is put in place and that the different sectoral committees are set up and are provided with necessary resources.

Aspects related to SMEs

The discussion, which aimed at creating an ambitious policy to promote small companies, led to the following conclusions:

- It was necessary to make sure that general macroeconomic policies take into account constraints that these companies are subject to and that, if there is a negative impact, this is rectified. The participants noted that even though the necessary conditions for SME development could not constitute the focal point of macroeconomic policies, the decisions made should take their situation into account. The participants underlined in particular the importance of international trade agreements, the need to apply trade defence mechanisms (safeguard, anti-dumping

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\(^1\) English translation of the French original document on which all participants agreed.
and anti-subsidy clauses), as well as the pace and structure of tariff dismantling, aspects of tools to finance economic activity, squeeze-out game effects and tax structure.

- It was necessary to improve the business environment in a manner that decreases transaction costs, combats corruption and enhances Lebanon’s attractiveness to foreign investors. Participants underlined the need to further promote the independence and efficiency of the judiciary, to implement laws in force, to introduce improvements to the Code of Commerce and to facilitate the practices of mediation, reconciliation and arbitration. They also indicated that the treatment of firms, in terms of their rights and obligations, should become progressively harmonised throughout Lebanese territory. Improving governance, the generalising of internal audit standards and ensuring the transparency of accounts in line with international rules were cited as crucial elements to boost the growth of SMEs by external means. In this regard, the training of both employees and employers and managers of enterprises was considered as a necessity, which implies deeper links between companies and training mechanisms.

- The availability of good infrastructure was unanimously regarded as a necessary condition for the development of SMEs. Electric, transport, water and Information and Communications Technology (ICT) infrastructures were highlighted. In this regard, it was observed that all surveys conducted by entrepreneurs reveal that Lebanon enjoys a less favourable environment compared to other countries.

- In addition to these orientations that concern the general framework applicable for SMEs, the participants stressed the need to provide targeted support by prioritising actions and by using cost/benefit analysis. It was indicated that by multiplying the proposed measures by the number of studies conducted on this topic, there was a risk that a “shopping list” could be established, which could lead to ill-coordinated action unable to carry out the type of scale change that is necessary today to combat the “anti-SME bias” underlined by several participants.

- For this reason, the participants looked at whether a clear institutional set up could be able to change the perception that SME owners themselves have about their place in the economy. The participants were convinced that the necessary dynamic to change the behaviour of entrepreneurs could come about, based on a clear institutional set up and the appropriation of this by all the Lebanese.

Specific support measures in favour of SMEs

The participants identified several specific measures of support for SMEs. These concern first and foremost the entry of the numerous informal enterprises and enterprises outside the legal framework into the formal sector as well as access to funding, market access and innovation policy.

A first need is for the progressive formalisation of the numerous enterprises about which information is poor but which constitute the informal sector. For some, such as agricultural enterprises, they should be registered, for others it is necessary to bring them progressively into the formal sector, which implies that they should be given new benefits in terms of support and accept certain collective obligations, in particular in the field of tax. This formalisation also has to do with the removal of disparities in terms of social protection via the implementation of the recommendations of the previous Inter-Lebanese Forum. The participants insisted on
the need for SMEs to enjoy a voluntary approach, in view of their role as a social shock absorber. This supposes that a balance should be found between advantages and new obligations to which they should be subject after a certain time. In this regard, the use of fiscal exemptions below a certain threshold of turnover and the application of new entrepreneur statuses (e.g. the status of auto-entrepreneur, that of a one-person limited liability company, or the status of simplified share company) constitute measures adopted in other countries which could encourage formalisation.

The second requirement is access to funding. The participants all underlined this obstacle which concerns the daily functioning of SMEs, investments and growth. As a result of the extent of guarantees demanded by banks to offer credit to SMEs, the participants recommended the extension of the Kafalat tool. They also pointed out that it would be useful to establish a dedicated investment fund (venture capital fund and development capital fund) by offering fiscal incentives to underwriters. It would also be useful to allow banks to provide part of the capitals of these funds. They also favoured recourse to capital markets.

The third need is market access for SMEs: first of all to public markets, where a certain percentage should be reserved for SMEs and later to external markets by providing SMEs with information about these markets, helping them with export penetration by building bridgeheads abroad and by developing other accompanying measures (activation of an export promotion centre, organisation of exhibitions and missions abroad etc.). In view of the evolution of these markets, a tool that helps in enhancing quality and standardisation should be made available to these enterprises, on the local market and on the export market.

The fourth requirement is the application of an innovation and transfer policy, which implies the development of new specialized poles in those sectors where the potential for specialisation exists: poles of competitiveness, enterprise “nurseries”, graduate training schemes for enterprises, incubators, technology poles, industrial zones, clusters, etc... In these poles, which could benefit from a special tax regime, research institutes, medium-sized enterprises and the subsidiaries of foreign enterprises could usefully help the development of those small enterprises which are the most technologically-advanced and the most specialised.

### Institutional aspects

On the institutional level, the participants recommended the integration of several measures into a single legislative framework that might take the form of a “Lebanese Small Business Act”. The participants considered that this would be the best means by which to change the perception of these enterprises and to increase interest in them. This solution would not prevent the introduction of important amendments to the entire legislative sweep concerning SMEs. In this regard, the participants recommended that the Economic and Social Council be reactivated as an instrument that permits the rapprochement of the points of view of all concerned parties.

This “Lebanese Small Business Act” could be founded on three main chapters that cover the above text:

- A first chapter that would deal with the encouragement of entrepreneurs, their status, the formalisation of specific tools aimed at encouraging the growth of enterprises, access to funding and domestic and foreign market access. In addition, mechanisms to refinance these enterprises might be envisaged on a voluntary and case-by-case basis in conditions that remain to be determined.

- A second chapter would concern infrastructure, competition, the decrease in transaction costs via administrative simplification, the improvement of judicial services and the code of commerce and the development of mediation, reconciliation and arbitration procedures.

- A third chapter would deal with innovation, transfer, the putting in place of specialised poles and diverse other measures aimed at facilitating the appeal of these poles for investors.
Done in Beirut on 16 October 2008, and agreed by:

The following parliamentary blocs:

- Future Movement Bloc: Mr. Mazen Hanna
- Armenian MPs Bloc: Mrs Marie-Louise Baboyan-Azezian, Mrs Suzy Semerdjian
- Development and Liberation Bloc: Mr. Nasser Nasrallah, HE Mr. Anouar el-Khalil, Mr. Ali Bazzi
- Loyalty to the Resistance Bloc: Dr. Hussein Hoji Hassan, Mr. Navwar el-Sahli, Mr. Abd el-Halim Fadlallah
- Lebanese Forces Bloc: Mrs Nayla Abi Karam, Mr. Jean-Marie Kassab
- Kataeb Party Bloc: Mr. Melhem Saad, Mr. Wolid Khoury
- Popular Bloc (Beqaa Bloc): Mr. Tony Choueiri, Dr. Ali Yacoub
- Democratic Gathering Bloc: Dr. Talal Jaber
- Syrian Social National Party Bloc: Dr. Marwan Fares, Dr. Kamal Naboulisi
- Tripoli Bloc: Mr. Antoine Constantine, Dr. Toufic Gaspard
- Change and Reform Bloc: Mr. Michel de Chadarevian

The following professional associations:

- Association of Lebanese Agriculturalists: Mr. Antoine Hoayek
- Lebanese Banks Association: Dr. Nassib Ghobril, Dr. Elie el-Achkar
- Beirut Traders Association: Mr. Arslan Sinno, Mr. Beaudart Issa
- Association of Lebanese Industrialists: Mr. Fadi Abboud, Mr. Saadeddine Oueiri
- General Confederation of Workers in Lebanon: Mr. Ghassan Ghosn, Mr. Boutros Saadeh, Mr. Fadlallah Chreif

Under the chairmanship of the Head of the Delegation of the European Commission to Lebanon, HE Mr. Patrick Laurent, assisted by the coordinators of the FEMISE, Dr. Ahmed Galal and Pr. Jean-Louis Reiters, and with the help of the independent Lebanese economists, HE Dr. Elias Saba, Dr. Charbel Nahas and Dr. Kamal Hamdan.
Conclusions of the fourth Inter-Lebanese Forum\(^1\)

**Agriculture**

(Beirut, 17-19 February 2009)

At the invitation of the Delegation of the European Commission to Lebanon, representatives of parliamentary blocs, professional associations and independent experts met to discuss the desirable and appropriate policies in Lebanon in favour of agriculture. Meetings were held in Beirut on 17, 18 and 19 February 2009 and were moderated by FEMISE coordinators. This round of the Inter-Lebanese Fora follows the first three fora held on 29-30 May 2007, 21-22 April 2008 and 15-16 October 2008. The first forum focused on developing a broad economic and social development vision for Lebanon; the second tackled social policies, whereas the third dealt with competitiveness of enterprises and competition.

This Inter-Lebanese Forum addressed the agriculture sector, not only from an economic perspective but also from the perspective of bringing about social balance and poverty reduction. The participants discussed three issues: agriculture policies; agriculture support and agriculture institutions. The discussion lasted three days and led to convergence of views on several fronts and to a number of general conclusions which are summarised below.

**General conclusions**

The participants unanimously considered that the agricultural sector is one of the pillars of the economy and social stability in Lebanon. This sector should benefit from a real development strategy.

Although agriculture accounts for about 6 percent of GDP, it provides income for around 30 percent of total population. Most farmers are not generally socially ensured. They frequently face natural disasters and other risks. Not surprisingly, they tend to migrate to urban areas.

One more reason for paying a special attention to agriculture is that this sector seems to operate far below its potential. Farmers face a big number of obstacles, such as inadequate distribution channels, non active measures of commercial defence and safeguarding, difficult access to funding and external markets, access to property, limited support and absent or ineffective institutional set up.

To maximize the contribution of agriculture and to support farmers, the participants recommended the adoption of a new strategy for the sector, backed by a strong collective political will. The new strategy builds on two pillars: the first is an economic model involving a sustainable upgrading of agricultural activities to be profitable and competitive. The second is compatibility between seeking profitability and attention to social balances, health concerns of consumers, environment and scarce water resources management.

To translate the above vision into reality, the participants discussed and agreed on several measures and ideas related first to agriculture policies, secondly to support to agriculture, and third to the evolution of institutions.

**Agricultural policy**

To ensure that agricultural products are competitive, the returns from agriculture production accrue more and more to farmers, and that they face fair competition at home, the participants endorsed the need to:

- Address the issue of land ownership, by clarifying title deeds, land registry, solving the problem of land fragmentation, changing farm conditions (to enable farmers to consider long-term projects) and by distinguishing building lands from agricultural ones.

- Redefine the subsidy policy in the framework of an overall strategic vision of diversification. Forum participants stressed the need to strictly frame the conditions for awarding these subsidies and their objectives which must be announced ahead of time to farmers.

- Develop all incentives in favor of the implementation of agricultural projects.

- Update and enforce commercial defence measures to avoid placing domestic producers in a situation of unfair competition. This issue is becoming more important given the fact that Lebanon has signed such regional agreements (Great Arab Free Trade Area -GAFTA- and Euro-Mediterranean Agreement), and a number of bilateral agreements, and in view of joining the World Trade Organisation (WTO).

- Establish a procedure to assess the damage suffered by Lebanese farmers following 2006 conflict, and make lands usable by adopting a systematic mine clearing of lands.

- Introduce an insurance against natural hazards and weather

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\(^1\) English translation of the French original document on which all participants agreed.
adversities due to the high degree of uncertainty that characterizes the agricultural activity. This would mitigate the economic consequences of accidents.

- Acquire centralized means to choose crops and agro-food sectors to be developed, and ensure implementation.

Agriculture support measures

Without reducing the debate to the opposing between protection and liberalisation, the participants endorsed the case for providing selective support to the agriculture sector, given the fact that markets rules alone are not sufficient. More concretely, they supported:

- Extending access to credit by reactivating the law stipulating the establishment of an agricultural bank, while (i) expanding the system of traditional bank loans to micro-credits, (ii) reactivating the National Union for Cooperative Credits, (iii) improving guarantee systems such as Kafalat, in order to adapt it to the needs of the agricultural sector (lending small amounts, longer periods of grace), and (iv) developing a specific service dedicated to the study of feasibility of agricultural projects.

- Increasing the availability, management, use and quality of water, in the context of a clearly defined strategy, by implementing on one hand the existing projects (including the construction of dams), and by promulgating encouraging on the other hand a special law for the creation of water users associations.

- Deal with questions related to marketing, by enhancing the share of farmers in the income generated by the sale of agriculture products, by (i) reforming the organization of wholesale markets and encouraging the development of popular markets (ii) providing assistance to farmers in labelling and packaging, and (iii) promoting Lebanese products abroad.

- Involve the State in setting up the appropriate framework for training and extension services which were considered essential by the participants. The action can be handled, under the supervision of the ministry of agriculture, by cooperatives or by any other form of organization of the profession. It could rely on the dissemination of research developed by the LARI.

Agricultural institutions

The participants recognized that the above changes would not be possible without changes in the rules of the game and the institutions responsible for their implementation. Accordingly, they supported the following measures:

- Strengthening the capacity of the Ministry of Agriculture to be able to implement a new medium/long term strategy for the agriculture sector and the policies required to implement that strategy. Since the agriculture sector is impacted by various actions by other agencies within the government, they also endorsed the idea of creating a skilled high level coordination committee composed of representatives of the ministries of Agriculture, Energy and Water, Economy and Trade, Finance, and Environment among others.

- Reformulating the law governing cooperatives to ensure they are able to play an effective role in the support of farmers.

- Considering the separation of the Chambers of Agriculture from the Chambers of Commerce and Industry, within the framework of the proposed draft law, provided the latter will have the skilled staff and resources to carry out their functions.

- One problem raised repeatedly during the forum was the identification of farmers and farms. To recognize the specificity of agricultural activity and define its status, it is necessary to consider a mechanism of general registration of farmers on the basis of criteria to be defined. The establishment of this mechanism requires also clarifying the benefits associated with the registration of the farmer.

- Considering the creation of an agricultural bank and proceeding with its establishment, provided that its viability is clearly proved.

In order to carry out the proposed reforms, the participants emphasized three points. First, reforms and actions are interdependent. For example, there is a link between defining who is a farmer and any benefit that this status will allow him to gain. Second, priorities must be set, otherwise progress may be slowed down. Finally, reform of the agriculture sector requires a strong political will.
Done in Beirut on 19 February 2009, and agreed by:

The following parliamentary blocs:

- Future Movement Bloc: Mr. Mazen Hanna, Mr. Nabil de Freige, Mrs Hazar Caracalla
- Change and Reform Bloc: Dr. Samir Medawar, Mr. Georges Doummar
- Armenian MPs Bloc: Mrs Marie-Louise Baboyan-Azezian, Mr. Yarassai Havatian
- Development and Liberation Bloc: HE Mr. Yassine Jaber, Mr. Joseph el-Ghanib, representative of HE Mr. Anouar el-Khalil
- Loyalty to the Resistance Bloc: Mr. Abd el-Halim Fadallah, Mr. Mahmoud el-Khansa
- Lebanese Forces Bloc: Mr. Joseph Nehmeh, Mrs Nayla Abi Karam, Mr. Charbel Tawk
- Kataeb Party Bloc: Mr. Gaby Semaan, Mr. Melhem Saad
- Popular Bloc (Beqaa Bloc): Mr. Tony Choueiri, Dr. Ali Yacoub
- Democratic Gathering Bloc: Mr. Elie Aoun
- Syrian Social National Party Bloc: Mrs Nazha Challita
- Tripoli Bloc: Mr. Antoine Constantine, Dr. Toufic Gaspard

The following professional associations:

- Association of Lebanese Agriculturalists: Mr. Antoine Hoayek, Mr. Toufic Bou Alwan, Mr. Tony Tohmeh
- Lebanese Banks Association: Dr. Nassib Ghobril, Dr. Elie el-Achkar
- Beirut Traders Association: Mr. Beaudart Issa
- General Confederation of Workers in Lebanon: Mr. Hassan Fakih

Under the chairmanship of the Head of the Delegation of the European Commission to Lebanon, HE Mr. Patrick Laurent, assisted by the coordinators of the FEMISE, Dr. Ahmed Galal and Pr. Jean-Louis Reiffers, with the support of Dr. Patricia Augier and Dr. Pierre Blanc, who conducted the exploratory mission and drafted the background document of the forum. With the help of the independent Lebanese economists, HE Dr. Elias Saba, Dr. Charbel Nahas and Mr. Kamal Hamdan.