



# LEBANON: A CASE OF A COMPOUNDED CRISIS

A TRIS PATH FOR THE PHOENIX TO RE-EMERGE  
FROM THE ASHES

**Rym Ayadi, Sandra Challita**

June, 2020



## INTRODUCTION

Lebanon is facing several challenges at economic, social, governance and environmental levels. The COVID-19 crisis served to amplify these existing crises. In this paper, we suggest a Responsible Innovative Strategy for Lebanon, by applying the TRIS policy framework introduced in Ayadi and Sessa (2020). The TRIS framework is built on four key elements:

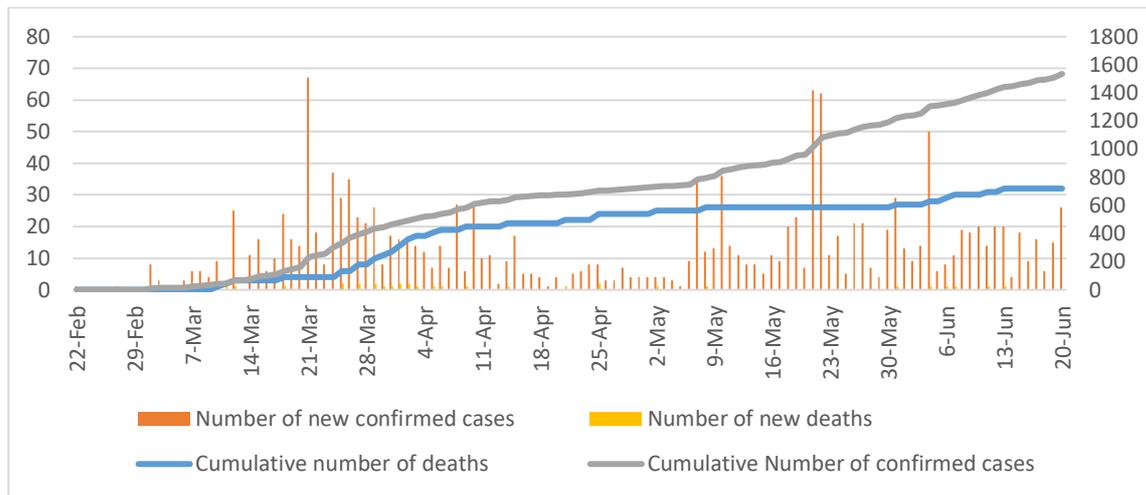
- (1) Transparent governance and accountability;
- (2) Responsible living and social rights;
- (3) An inclusive and productive economy and
- (4) Sustainable energy and environment strategies.

These elements are analysed in three-time horizons: short, mid and long term.

## COVID-19 HEALTH CRISIS: ADDING TO AN EXISTING COMPOUND CRISIS

The COVID 19 pandemic is threatening human lives and challenging economies around the world. Governments are spending hundreds of billions of USD to face it and to support their healthcare systems and economies. Lebanon had been battling against several severe crises before the propagation of COVID-19. The eruption of the disease worsened the economic and social situation and led to a humanitarian crisis. The country was under strict lockdown between March 15<sup>th</sup> and April 27<sup>th</sup> as part of its virus containment policy. Since the lifting of the lockdown, there has been an increase in cases, with 1539 cases and 34 deaths recorded by June 20<sup>th</sup> (for detailed information see Ayadi *et al.*, 2020 and EMEA COVID-19 policy monitor).

**Figure 1: COVID-19 cases in Lebanon**



*Source: Own elaboration using the Lebanese Ministry of Health daily reports*

The health crisis has occurred at a very critical period for Lebanon. The country is facing simultaneous and parallel crises that, when compounded, make policies very difficult to implement; ranging from the refugee crisis, to the economic and political crisis, leading to a debt/sovereign and banking crisis (see Figure 2).

**Figure 2: Compounded crises in Lebanon since 2010**

#### Refugees crisis (2011-Ongoing)

- 1.5 million refugees in the country (Highest number of refugees per capita in 2018, World Bank database)
- Increased pressure on country's existing infrastructure (electricity, housing, water, schools, hospitals, etc, ILO report 2013 )
- Competition in job opportunities for low-skilled jobs between Lebanese and refugees
- Collapse of the tourism sector

#### Economic vulnerability and contraction (2011- Ongoing)

- Low level of GDP growth (0.2% in 2018, and 1.36% on average between 2011 and 2018 from the World Bank database)
- Decrease in foreign deposits and remittances (12% of GDP in 2018, compared to 18% in 2010)
- High government debt (151% of GDP in 2018)
- Real estate sector stagnation

#### Political crises (Continuous)

- Continuous political crises (such as the resignation of Hariri from Saudi Arabia in 2017; two and a half years of presidential elections in 2016)
- Difficulties each time in forming the government cabinet (several months at a time), and to pass a budget (12 years without a budget between 2005 and 2017)
- Sectarian repartition of government positions and public sector jobs, pressuring the recruitment and designation of senior public officials

#### Social unrest October (2019- Ongoing)

- Country's blockage for several weeks (starting October 17th)
- Increase in unemployment (11.4% unemployment rate and 23.3% youth unemployment in 2019 according to Lebanon's Central Administration of Statistics (CAS) and ILO)
- Delay of foreign investment promised in CEDRE 2018 (conditional on implementing reforms, currently these investments will occur along with the IMF package: 9 billion USD from the IMF and 11 Billion from Cedre)

#### Banking and currency crises (October 2019- Ongoing)

- Unofficial capital control and limited withdrawal amounts
- Currency devaluation and gap between the official currency rate and the black market (see Figure 3)
- Loss of trust in banks
- Hyper inflation (see Figure 4)

#### Debt crisis (Default on March 2020-Ongoing)

- High debt to GDP ratio (top 3 in the world)
- Default on March 2020 payment of the Eurobond debt
- Ongoing negotiations for debt restructuring

#### COVID-19 crisis (March 2020- Ongoing)

- First case on February 21st 2020. Strict lockdown started on March 15th.
- Weak public hospital system (see EMEA Policy Response Monitor)
- Increase of economic pressure on citizens due to the consecutive crises and lockdown

*Source: Own elaboration*

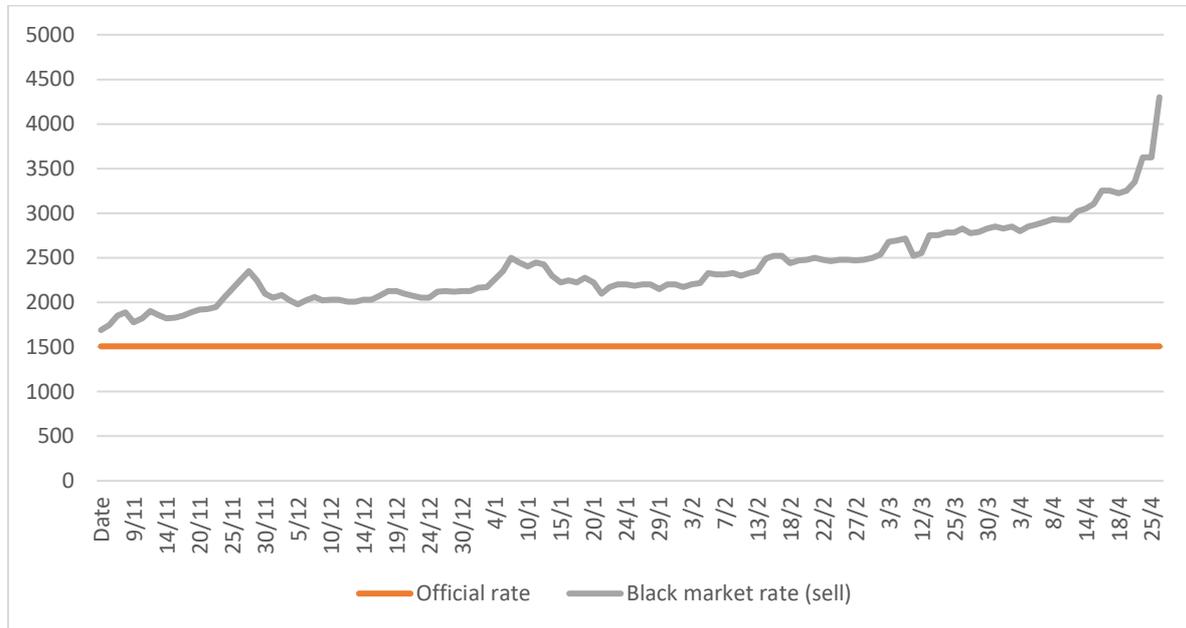
Several factors have led to a multiplication of crises. The political and geopolitical evolution in neighbouring countries, the political fragmentation of the country, the low trust in the political class, the overall poor government management, the high-level of corruption, the unsustainable economic model and policies resulting in economic growth that is not meeting its potential and a double deficit problem (budgetary and current account).

Since mid-October 2019, Lebanon has been witnessing protests, expressing discontent of what is described as a “corrupt” political class. These protests occurred after persistent economic deterioration and the incapacity of political leaders to provide adequate solutions for dealing with the amplification of the economic and financial crises. A new government published an economic and financial plan (April 2020) seeking foreign financial assistance to fund the reconstruction of the country (the IMF and the international community). Meanwhile, the COVID-19 crisis hit, leading to the shutdown of the country, with a general mobilization scheme to prevent potentially deadly-virus propagation. Amidst a progressive exit from more than a month of lockdown, the social protests regained traction, amplifying the fracture in the social contract. The economic and social conditions continue to worsen alongside a sharp devaluation of the Lebanese Lira<sup>1</sup> (see Figure 3) and hyperinflation (see Figure 4). An humanitarian crisis emerged, threatening to leave more than half of residents living below the poverty line. This is expected to exacerbate instability and economic hardship in the country, leading to more protests and persistent social unrest. At the same time, protests and public gatherings are breaking up social distancing measures, which had proved to be relatively effective in defeating the virus contagion. This, in-turn, can worsen the fragile health situation, which, considering the high probability of a second and more intense wave of the virus contagion, could lead to a dangerous vicious circle.

---

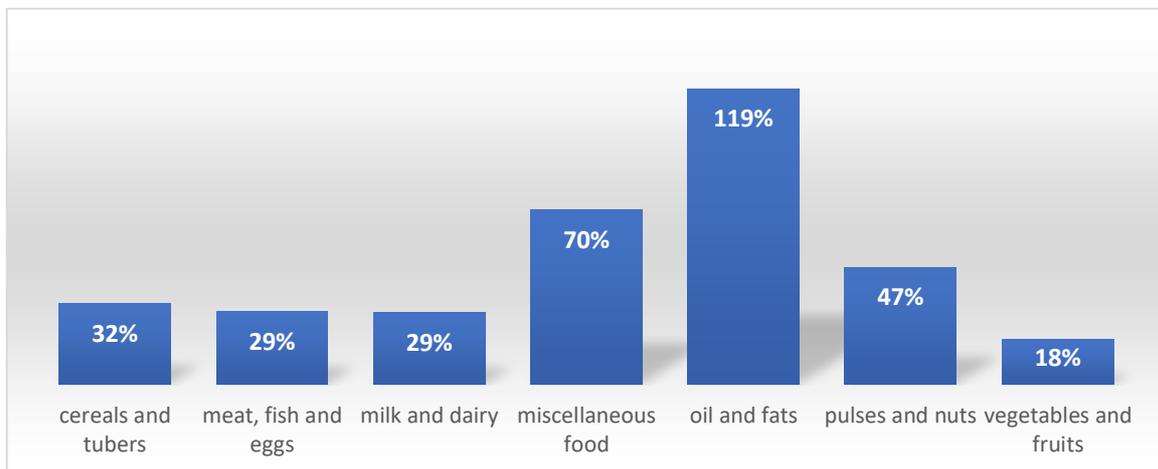
<sup>1</sup> The Lebanese Lira has been fixed to the USD since 1996 at the rate of 1507.5LL to 1 USD, and a parallel market grew after the October uprising in 2019. The banks are limiting USD withdrawals. Three sectors are subsidised to import at the official rate: wheat imports, drugs, gas and oil.

**Figure 3: Evolution of the Lebanese Lira rate to USD**



Source: Own elaboration using <https://lebaneselira.org> data

**Figure 4: Increase of prices between October 2019 and April 2020**



Source: Own elaboration using the humanitarian data exchange database on [opendatalebanon.org](http://opendatalebanon.org)

## DIRE CONSEQUENCES FOR THE SOCIO-ECONOMIC CONDITION OF LEBANON

This compounded crisis hit the country at all levels, leading to governance, socio-economic<sup>2</sup> and environmental challenges.

The **governance** challenges are rooted in the complex, opaque political system with a sectarian repartition<sup>3</sup> that fosters corruption and increases the entrenchment of the political leaders. Also, the political decision-making process is inefficient because of the slowness of consensual rule between the different religious groups. The lack of control and accountability and the absence of a long-term vision and planning have led to a loss of trust by Lebanese citizens and the international community in the current political system.

The **social** challenges are numerous and policy responses are urgent. Recent reports have shown that more than half the population will be living below the poverty line<sup>4</sup>. This is whilst the unemployment rate is high and continues to increase, especially for young people and women<sup>5</sup>. The public education and healthcare<sup>6</sup> systems are fragile and the compound crises add further pressure. Estimates show that more than half of the population does not have any healthcare coverage<sup>7</sup>. All this is accompanied by the absence of any social safety net<sup>8</sup> and a massive brain drain. The National Poverty Targeting Programme (NPTP), funded by the World Bank, is the only anti-poverty cash transfer programme since 2012. It proved its usefulness, however, during the COVID-19 crisis, despite limitations<sup>9</sup> amidst the absence of other comprehensive national programmes. All these challenges are faced as the country is slipping towards the economic abyss.

The **economic** challenges are the most severe. The country suffers from large external imbalances<sup>10</sup>, unsustainable public finances<sup>11</sup> and is heavily indebted<sup>12</sup>. The high level of uncertainty

---

<sup>2</sup> The recent numbers (November 2019) show that 160 000 jobs in the private sector were lost since mid-October, and the unemployment rate reached 40%, with two million Lebanese living below the poverty line (Infopro survey)

<sup>3</sup> Lebanon has a sectarian political system, based on a power-sharing agreement that dates back to French colonial rule. Seats in parliament are shared out proportionally amongst the country's 18 religious groups. Government posts and public-sector jobs are also divided up among the sects.

<sup>4</sup> World Bank at: <https://www.worldbank.org/en/news/press-release/2019/11/06/world-bank-lebanon-is-in-the-midst-of-economic-financial-and-social-hardship-situation-could-get-worse>

<sup>5</sup> Before the crisis, unemployment was thought to be as high as 25% (The Economist, March 12<sup>th</sup> 2020)

<sup>6</sup> EMEA Covid 19 Policy monitor: <https://research.euromed-economists.org/introduction>

<sup>7</sup> According to the CAS latest survey in 2007, since then, no official survey was conducted

<sup>8</sup> 44% of residents do not benefit from any form of social protection, according to CAS's 2018-2019 Labour Survey.

<sup>9</sup> Limitations are according to the Centre of Lebanese Policy Studies: (1) cheap targeting programmes, (2) exclusion of qualifying individuals and inclusion of non-qualifying ones, (3) lack of exit strategies and (4) undermines social cohesion.

<sup>10</sup> -22% of GDP in current account balance, 2018 latest data, World Bank database

driven by geopolitical pressures, the loss of trust in banks and the high cost of lending<sup>13</sup> are barriers to investment. As was shown in the EMEA policy monitor, Lebanon was largely economically underprepared<sup>14</sup>. In March 2020, the government defaulted on paying its Eurobonds debt. Alongside these economic conditions, the local currency has devaluated, after years of an unsustainable fixed exchange rate policy. As a result, hyperinflation and shrinking of purchasing power have increased the suffering of the people in a lockdown context imposed by the COVID-19 crisis. All this has been accompanied by the collapse of the pillars of the economy that are financial institutions, the real estate market and services. Therefore, a restructuring of the economy is needed.

The **environmental** challenges are emerging and are not being addressed promptly, leading to health and safety consequences. The country suffered from a severe waste management crisis in 2016, with no sustainable ecological solution in the long run (Abbas *et al.*, 2017)<sup>15</sup> because of the endemic corruption, lack of human resources, suitable facilities and inadequate technical skills. These same problems are not only related to waste management issues, but also to other infrastructure deficiencies in electricity and water. The country has shortages of electricity supply, whilst overspending on temporary, yet long standing non-ecological solutions<sup>16</sup> and other projects (e.g. dams) that only feed corruption and deforestation (Margane, 2012).

Against this backdrop, we suggest a complete overhaul of the strategic policy framework of Lebanon, in order to achieve a sustainable reconstruction to overcome the governance, social, economic and environmental challenges engaging the government, citizens and civil society. This policy framework derives from the TRIS development model, proposed in Ayadi and Sessa (2020). Such a framework will provide a parachute for Lebanon to land safely within the TRIS transition.

---

<sup>11</sup> Fiscal deficit of 11% of GDP, 2018 latest data, World Bank database

<sup>12</sup> Third largest debt to GDP ratio in the world (151% of GDP, 2018 latest data, World Bank database)

<sup>13</sup> 9.1% cost of borrowing in 2018 latest data, World Bank database

<sup>14</sup> <https://research.euromed-economists.org/pillar-3/>

<sup>15</sup> 48% of the waste is disposed in sanitary landfills. Dumping of waste and open burning is predominant outside Beirut and Mount Lebanon. Adequate treatment is unavailable for waste produced by slaughterhouses, industrial premises and healthcare centres.

<sup>16</sup> Estimate of 11% of the public budget spent on the losses in the electricity sector (source: The Association of Banks in Lebanon, Triangle).

## WHAT PATH TO FOLLOW TOWARDS A SUSTAINABLE RECONSTRUCTION OF LEBANON?

Historically, Lebanon has been associated with the Phoenix, a mythological bird that symbolises renewal and resurrection<sup>17</sup>. This time, the rebirth must be based on solid and sustainable grounds towards a path of growth, stability and prosperity. Following the civil war that started in 1975 and lasted for 15 years, the reconstruction of Lebanon was made possible thanks to a massive indebtedness in foreign currencies and the reliance on the financial sector, the real estate sector and services. The agricultural and industrial sectors and the development of institutions were not part of in the government's priorities.

Today, amidst a total collapse, a unique opportunity emerges to rebuild the country on more transparent, responsible, inclusive and sustainable grounds. The international community is willing to engage in supporting Lebanon, on the condition of genuine and sustainable structural reforms. The international community has supported the country during the last two decades via donor conferences, in exchange for structural reforms that have remained largely unfulfilled<sup>18</sup>. The CEDRE<sup>19</sup> investment plan, aiming to invest in Lebanese infrastructure and business, seems to be on hold, given the popular discontent, mistrust of the actual political class and the current economic downturn. The demand of assistance and funding from the IMF seems to be the most probable and the only remaining scenario that can also drive the reactivation of CEDRE funds. In view of the critical situation, it is essential to re-evaluate the country's priorities and to implement a long-term policy response, because short-sighted quick fix policy solutions have not worked.

The policy roadmap we suggest aims to deliver a responsible innovative strategy, as a result of a short/ medium/long term foresight and backcasting analysis. The roadmap is anchored in a strategic policy framework based on the "TRIS model" (Ayadi and Sessa, 2020) and focussing on four pillars:

---

<sup>17</sup> The myth suggests that the phoenix is a mysterious bird with red and gold plumage that lives for 500 years before suddenly bursting into flames. And from the ashes, a young phoenix arises. The phoenix rising legend was often associated with the history of the Phoenician people (i.e. The people who lived in Lebanon BC)

<sup>18</sup> Paris 1 conference collected 500 million euros in 2001 in exchange for promises of economic and financial policy to rebuild the country; Paris 2 conference promised 4.2 Billion dollars in 2002; Paris 3 conference collected 7.3 Billion dollars in 2007 in exchange for promises of the privatisation of some sectors.

<sup>19</sup> In 2018, international players held an investment plan "CEDRE" (Conférence Economique pour le Développement, par les Réformes et avec les Entreprises) to assist Lebanon with concessional financing and grants for capital infrastructure improvements, conditional on implementing the delayed structural economic reforms in fiscal management, electricity, transparency and others.

- Transparent governance, to build trust based on greater accountability.
- Responsible living, to take care of the future consequences of choices and actions in human and social living experiences.
- Inclusive economy, to have a societally desirable progress.
- Sustainable environment and energy to keep a sound environment for future generations.

These pillars are bound to be implemented in parallel, with equal importance and coordination amongst their components. We suggest three stages for each pillar: short, mid and long-term plans that should be revisited and re-assessed if needed, depending on the country's circumstances.

### Transparent governance

Governance is a critical pre-requisite. In Lebanon, citizens have lost trust in the institutions and in the political system. The actual system of governance has proven to be inefficient, unsustainable and feeding in opaqueness and corruption. Mechanisms for accountability and transparency must be updated and activated with quick processes, as soon as possible.

Technology is an effective tool to achieve transparency. It can support the establishment of a centralised information system, helping to draw up effective policies and provide necessary monitoring and control, critical for enhancing public accountability. More specifically, this can be used to enhance public accounts transparency, essential for tackling corruption including all forms of bribery.

At the **short-term stage**, the government should credibly audit ailing institutions such as banking<sup>20</sup> and the assets and liabilities of public institutions, through processes that are transparent to the public. When the risks are identified and better assessed, the structural reforms and significant processes for reducing the public deficit can be activated on clear and transparent ground. In addition, regulators should accelerate the updating of regulations and implement them to fight corruption and hold accountable the individuals and entities engaging in illicit activities<sup>21</sup>. This can be done through law enforcement and an independent judiciary system. It can also cooperate with countries and international organisations to apply investigations and audit missions and to assess and recover illicit funds that were subjected to money laundering, terrorist financing and other corrupt activities.

---

<sup>20</sup> The government hired forensic auditors in April 2020 to examine the central bank's recent transactions and assets (source: <https://www.ft.com/content/bc16f282-2874-4e0b-acec-84119b61044f>)

<sup>21</sup> Corruption is a criminal activity in Lebanon, but there is a lack in updating and most importantly implementing and enforcing the laws.

In the **mid-term term**, a general census of the population (residents and emigrants) is essential to construct the basis of an annually updated database. This census should gather information on profession, health coverage and tax residency, and exclude information on religious affiliations. In this database, each citizen has a national identification code that allows access to healthcare, social allocations and tax payments. This is the basis of a national identity number. Lebanon lacks reliable data because of the non-existence of a centralised information system that offers a complete view on the status of the economy. This database will allow better understanding of the country's dynamics, hence more efficient public policies.

For the **long-term stage**, the governance system should shift towards a civil state, where sectarian groups do not control the executive and legislative systems and move towards more collaborative and consultation processes relating to fundamental issues. Technology should also be a lever for a more transparent system of governance, via “e-governance” permitting all State services to be available to citizens in a transparent, convenient, efficient and universally available manner.

### Responsible living

Responsible living is to forge a long-term perspective when adopting policies, in order to avoid poorly performing and ineffective short-term solutions that will have counter-productive implications on the population, feeding irresponsible behaviour. It takes into consideration the shift from a passive and careless citizenship framework to a proactive and caring perspective, whilst building the dimensions of responsible behaviour that could be enhanced via technology and knowledge.

A higher level of State and citizen responsibility has several implications, mainly in reducing income inequalities (via the use of a fair tax policy), and increasing the investment in human capital especially amongst women and young people. All this, whilst ensuring that technology produces knowledge and skills aimed at upgrading existing jobs without destroying them and considering the environmental and natural resource constraints. At the same time, it includes the role of the State to provide a comprehensive social safety net, mainly via retirement plans, universal health coverage, insurance and unemployment allowance. Responsible living is determined by the comprehensiveness of the safety net provided and the knowledge created towards achieving the notion of responsible behaviour - essential for responsible living.

In the **short-term**, the government should offer tools to enhance the National Poverty Targetting Programme list, to better identify the neediest sections of the population and to efficiently provide aid and healthcare coverage. On the social engagement side, the reinforcement of union capabilities to empower, to restructure professions and to modernise laws in close collaboration with regulators. Also, support for impactful initiatives and NGOs to increase efficiency

in this sector, allowing access to aid with transparent reporting. Media and social media play an important role in improving the sense of responsibility amongst citizens. The country needs an independent and enhanced quality of media and more emphasis on investigative journalism. Alongside this, initiatives and programmes of social media awareness for kids and their parents are crucial to develop critical thinking, the capacity to identify fake news and to protect against the downside of technology.

In the **mid-term**, the rule of law should be applied for all, without any political or sectarian privileges. This reinforces the sense of obligation and responsibility towards the country and preserves the rights of the marginalized categories. It comes alongside updating regulations on technological advances, to protect privacy and democracy. Additionally, the education and cultural sectors ought to be on the frontline in the transformation process. This can include a mandatory curriculum of civil engagement for teenage students, which helps young citizens to be involved in civil society and to develop their citizenship, belonging and empathy. It also comprises social and or environmental initiatives, in collaboration with existing NGOs and stakeholders, to develop a sense of respect for the environment and social communities. The country needs massive investment in cultural projects, to revive its cultural sector and to enhance creativity. This includes re-opening theatres, establishing an Opera House and investing in fine arts and music. On the urban front, there is a need to create new public spaces and to enhance the existing ones that have disappeared since the war. Public spaces, such as public libraries, parks and playgrounds, are essential as they gather citizens from different social and sectarian backgrounds, allowing them to communicate and debate, reducing the inequality gap.

In the **long-term**, the implementation of sustainable social safety nets including universal healthcare coverage, retirement plans and unemployment benefits will guarantee the rooting of citizens in their country. The new generation of citizens ought to develop a sense of responsibility and respect of the law, together with being engaged in civil society and personally invested in the country's key political, social and environmental issues. Their relationship with the country will change from being "the country they want to leave" to "the country they want to live in".

### Inclusive economy

The Inclusive economy allows the integration of opportunities for all, without leaving any citizen or resident behind. It ensures the redistribution of gains in globalisation, labour rights, industrial relations, social dialogue, regional training and collaboration. The Inclusive economy is a model and set of policies to protect jobs and to moderate the disruptive impact of rapid globalisation and trends in automation. The concept of the inclusive economy suggests inclusive economic growth.

Lebanon's growth projections are the worst for the MENA region<sup>22</sup> and a restructuring of the economy to become more inclusive, and hence resilient, is urgent.

The economic recovery is to be structured on several pillars, aimed at diversifying the economy to upgrade it from a rentier to a productive one. Diversification of the economy will make it more inclusive, and hence resilient, to Lebanon's frequent shocks and reduce the reliance on imported goods. We suggest the following pillars, generated by the concept of the inclusive economy, that are not exclusive for the reconstruction of the country: Supporting national production and MSMEs whilst introducing production via global/regional value chains (G/RVC) and reinventing cost structures, providing a fair redistribution of policies, reinforcing social dialogue and industrial relations, improving qualifications and skills whilst collaborating with regional policies and surfing responsibly on the blockchain revolution.

The **support of national production and MSMEs** can be realised via different tools: adapting new technologies and enhancing the infrastructure (internet, public transport and electricity), providing cheap financing (guaranteeing funds and other financial tools) and adopting fiscal policies that encourage local consumption. Also, new technologies that are introduced in production via G/RVC, allow the exploitation of existing human capital and provide opportunities for high added value industries that do not require massive tangible investments. As an example, the knowledge economy is booming in Lebanon, with 10% participation in the country's GDP<sup>23</sup> and the creative sector has huge potential. It needs better infrastructure (internet speed and reach) and funding for it to grow. This sector can be key to the reconstruction of Lebanon, by being a pillar of the public sector's reform, by making the country a regional hub for talent and outsourcing of services. Additionally, to reinvent cost structures in the country, a "bottom-of-the-pyramid" approach can be adopted that can allow frugal innovation for products and services.

**A fair redistribution policies** is needed to have an inclusive approach to economic growth. The losses of the current financial downturn ought to be redistributed fairly amongst the citizens. Low- and middle-income residents should not pay the price for big fortune losers and no privatisation of the public sector should be implemented on the short term. This comes alongside a fairer fiscal policy.

**Social dialogue**, once re-established through the reinforcement of unions, can improve working conditions in the private sector and increase collaboration with different stakeholders. It can allow more talent to be attracted to the private sector and foster innovation. Also, social dialogue reinforces transparency and fair redistribution of benefits.

---

<sup>22</sup> IMF's world economic outlook 2020 suggests a shrinking of the economy of 12% of its GDP for 2021

<sup>23</sup> According to the study of the "consultation and research institute" (2019)

To **improve qualifications and to match skills** between labour market supply and demand, an important effort must be applied to encourage vocational training. Also, supporting public education and improving it will shrink existing inequalities and create better opportunities for the bottom tier of the population. This effort should be capitalised in a regional rather than a national framework, allowing better collaboration and specialisation amongst the regional players (such as the EU, Mediterranean countries, Gulf countries and Africa).

**The Blockchain revolution** provides several opportunities for an inclusive economy. Rewriting the financial system that has lost the population's trust can be done by providing greater transparency and inclusion via blockchain technology, fintech and decentralised mobile financial services. Also, these technologies can reduce the cost of remitting to the country and transform remittances to investment vehicles powered by decentralised fintech solutions and blockchain platforms. All this, whilst benefitting from e-governance and a national database allowing greater transparency and accountability.

The path towards an inclusive economy that supports young people, women and all the categories within a country is not unique. We also suggest following non-exclusive recommendations:

In the **short-term**, remaining MSMEs that have not gone bankrupt must have access to proper financial support via guaranteed loans and foreign currency liquidity, enabling them to import raw materials. Regulations should be amended to attract businesses and investment, especially in the knowledge-based sectors. This can be done efficiently in close collaboration with the private sector, the diaspora and NGOs. Empowering the emerging social entrepreneurship initiatives and products that serve the bottom of the pyramid are opportunities to encourage economically and socially profitable outcomes. This can be done by amending regulations to support alternative business structures, with a focus on governance and monitoring to make these sectors more transparent and sustainable. Supporting initiatives that improve the quality of the country's economic data can help future entrepreneurs to assess gaps in the market which they can transform into business opportunities, and which will allow the education system to assess the needs on the labour market in terms of skills. Amidst this support for MSMEs, the restructuring of the banking sector is urgent with an adequate prudential and monetary policy. The fixed exchange rate system that is collapsing should be monitored carefully to ensure that small depositors don't carry the burden. Urgent budget reforms should be implemented, as well as debt restructuring plans.

In the **mid-term**, finding a sustainable solution for the electricity access problem and speeding up the internet are priorities to help attract investment in the country and create employment. To ease the access to finance for SMEs, diversifying the financial sector, encouraging guarantee schemes for MSMEs (Ayadi, Challita and Groen, 2019) powered by blockchain technology can provide new

opportunities for entrepreneurs to develop new businesses. It is also important for better social dialogue and protection to activate mechanisms that nudge informal institutions towards becoming formal<sup>24</sup>, using a number of tools such as access to the social safety net. Moreover, the national database and national identifiers will allow more accurate direct tax collection. On education, teachers should be trained to be able to teach the new language of coding. It should be taught from an early age in public and private schools that are needed to stimulate the employment market. Regarding fiscal policy, it is necessary to restructure tax collection and the country's income sources by suppression of fiscal niches and taxing transactions. The diaspora must also be included in the economic reconstruction and growth of the country. Therefore, special vehicles need to be implemented to attract the Lebanese diaspora to invest in the real economy. This can be done via crowdfunding for specific projects, offering tax exemptions and giving them priority in investment projects for the country.

In the **long-term**, social dialogue should be implemented, allowing fair wealth redistribution and enhancing working conditions. Regional economic integration will allow Lebanon to become a hub in the knowledge-based economy and the creative industry. An integrated information system can be implemented between investors (residents, diaspora and foreigners), firms and policy makers in order to grow the Lebanese economy. This system allows coordination throughout the education sector to provide a skilled labour force for the economy, in answer to its needs.

### Sustainable energy and environmental goals

This last pillar for reconstructing the country is of utmost importance and relevance. Sustainable energy means supporting clean methods of energy production. The environmental goals are related to the current status of the environment and the one that is left for future generations.

The policies and actions we suggest are twofold: To stop the current polluting and destructive projects and to improve environmental awareness and engagement and to rebuild more sustainable energy plans and a cleaner environment.

For the **short-term**, an assessment of current projects (waste management, dams and electricity), their impact on the environment and the preservation of biodiversity must be put in place. It should be led by independent scientific committees to identify the problems and opportunities associated with the current projects in a transparent manner and to find a sustainable solution.

In the **mid-term**, launching a national plan for the environment is needed with the participation of civil society that needs to play an important role in terms of public awareness and

---

<sup>24</sup> The sector is estimated at 30% of the GDP according to the IMF's latest figures

co-developing new initiatives and projects. In addition, the reinforcement of eco-tourism can offer opportunities to benefit from Lebanon's landscapes of Lebanon and to allow the preservation of the environment.

In the **long-term**, the dependence on fuel and oil sources of energy should be reduced to the benefit of cleaner energy. The public transportation plan should be adapted to reduce CO2 emissions (trains across the country and metro/tramways within the big cities). Sustainable and clean energy, waste and water management solutions should be implemented.

## CONCLUSION

In this paper, we suggest a policy roadmap based on a responsible innovative strategy to implement the TRIS model that can drive change with a short-, medium- and long-term foresight parachuted into the current Lebanese crisis. We tackle the numerous challenges at the governance, economic, social and environmental levels facing the country and provide analysis of the country's reconstruction. The analysis aims to ensure trustworthy governance, climate neutral and inclusive economic progress which enables responsible behavior of citizens. This could happen by supporting citizens' empowerment, designing inclusive smart technologies, enabling value-sharing measures and by engaging with all stakeholders (institutions, the private sector, citizens, the international community, diaspora and NGOs).

## REFERENCES

1. Abbas, I. I. et al. (2017) 'Solid Waste Management in Lebanon : Challenges and Recommendations', Journal of Environment and Waste Management, 4(October), pp. 053–063.
2. Ayadi, R. et al. (2020) 'Covid-19 in the Mediterranean and Africa Diagnosis , Policy Responses , Preliminary Assessment and Way Forward', EMNES Studies, April.
3. Ayadi, R., Challita, S. and Groen, W. P. De (2019) 'Policy agenda for an inclusive, job creating financial development in the southern and eastern Mediterranean', Emnes Policy paper, 004.
4. Ayadi, R. and Sessa, C. (2020) 'Blue Transition Policy Roadmap: Towards Transparent, Responsible, Inclusive and Sustainable(TRIS) Development in the Mediterranean', EMNES Studies.
5. EMEA Covid 19 Policy monitor: <https://research.euromed-economists.org/introduction>
6. Financial Times article, Forensic auditor to review every transaction at Lebanon's central bank (May 9th 2020) available at <https://www.ft.com/content/bc16f282-2874-4e0b-acec-84119b61044f>
7. ILO report (2014), Assessment of the impact of refugees in Lebanon and their employment profile
8. LCPS Featured Analysis : Poverty Targeting is not the Solution for Much Needed Social Policy available at: <http://lcps-lebanon.org/featuredArticle.php?id=280>
9. Margane, A. (2012) Advisory Service Document No. 1: Quantification of Infiltration into the Lower Aquifer (J4) in the Upper Nahr Ibrahim Valley.
10. NPR article: Syrian Refugees in Lebanon Fear Deportation For Seeking Coronavirus Test Or Care (April 6th 2020) available at: <https://www.npr.org/2020/04/06/825158835/syrian-refugees-fear-deportation-if-they-seek-coronavirus-testing-and-treatment?t=1586249000742>
11. Reuters article : Starved of dollars and drowning in debt, Lebanon's economy sinks fast (March 12th 2020) available at: <https://www.reuters.com/article/us-lebanon-crisis-economy-insight/starved-of-dollars-and-drowning-in-debt-lebanons-economy-sinks-fast-idUSKBN20Z1FC>
12. The Economist article, Resilient no more, For the first time, Lebanon defaults on its debts (March 12th 2020) available at: <https://www.economist.com/middle-east-and-africa/2020/03/12/for-the-first-time-lebanon-defaults-on-its-debts>

# ABOUT EMEA

**The Euro-Mediterranean Economists Association (EMEA)** is a Barcelona-based regional think-tank established in 2012 that serves as a leading independent and innovative policy research institution; a forum for debate on the political and socio-economic reforms in Mediterranean and Africa; and promoter of actions and initiatives that fulfill objectives of sustainability, inclusiveness, regional integration and prosperity. It strives to contribute to the rethinking of the Euro-Mediterranean and Africa partnerships in view of the new dynamics of an emerging multi-polar world.

EMEA has a large network of economists, high-level experts and institutional partners (research institutes, think tanks and universities) in the Euro-Mediterranean and Africa. EMEA builds on the collaborative research network MEDPRO (funded by the EU's Seventh Framework Programme (2009-13) and provides forward-looking thinking and political and socio-economic integrated analyses on the Euro-Mediterranean region. EMEA is also the promoter and co-funder of the Euro-Mediterranean Network for Economic Studies (EMNES), co-funded by the European Commission (DG NEAR) between 2015 and 2019. EMNES is a regional network composed of 30 institutions and more than 100 experts and researchers in the Mediterranean region.

From January 2020, EMEA coordinates The Euro-Mediterranean Network for Economic Studies (EMNES). EMNES, aims to provide a renewed vision for socio-economic development in the Mediterranean region, mainly focusing on employment creation, social inclusion, sustainable development and regional integration. It performs economic and policy research exploring the pillars of inclusive and sustainable economic models in the Euro-Mediterranean region.

## **DISCLAIMER:**

**The contents of the documents are the sole responsibility of the authors and can under no circumstances be regarded as reflecting the position of the Euro-Mediterranean Economists Association.**

**© Copyright 2020, EMEA - Euro-Mediterranean Economists Association**

**Published by the Euro-Mediterranean Economists Association**

**All rights reserved – No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means – electronic, mechanical, photocopying, recording or otherwise without the prior permission of the authors.**

