

Reforming Lebanon: Act now

Jamal Saghir

In the last few weeks, the World Bank Group and the International Development community in Lebanon issued three important reports.

Immediately after the massive blast that rocked the port of Beirut on Aug. 4, the World Bank Group in cooperation with the United Nations and the European Union launched a rapid damage and needs assessment to assess the impact on the population, physical assets, infrastructure and service delivery.

They estimated damages in order of \$3.8 billion to \$4.6 billion, with housing and culture sectors most severely affected and losses around \$2.9 billion to \$3.5 billion, with housing being the most hit followed by transport and culture.

Priority recovery and reconstruction needs were estimated around \$2 billion, with transport needs highest followed by culture and housing. This was followed by an excellent report in cooperation with civil society on reform, recovery and reconstruction framework.

The action plan and road map to lift back Lebanon presented a set of sequenced and targeted reforms that support recovery and reconstruction in key sectors.

The ambitious but realistic and pragmatic plan calls on the government's ability to demonstrate credible progress on reforms and to deliver on macroeconomic reform, including progress with the IMF on macroeconomic stabilization and on restructuring of debt and the financial sector.

It highlights the need for the forensic audit of the Central Bank, banking sector reform, capital control, exchange rate unification and creation of a credible and sustainable path to fiscal sustainability.

It also includes a call on the Lebanese authorities to act on urgent macro and sector measures to trigger sustainable recovery and prepare the ground for reconstruction including: preparation of the 2021 budget and incorporate a strong program for social protection and inclusion. Establish a unified registry of social assistance programs and put in place grievance redress, verification and monitoring and evaluation systems. Develop a strategy and guidelines on conservation and rehabilitation of historic buildings and reconstruction of housing and buildings linked to the wider urban recovery, strengthen the independence and effectiveness of the judiciary, implement the anti-corruption strategy and fully staff and fund the National Human Rights Commission as well as the National Anti-Corruption Institution, strengthen the oversight roles and capacity of the Central Inspection and Court of Accounts, adopt the new Public Procurement Law and implement regulations and secondary legislation, including the mandatory usage of revised standard bidding documents, formalize the legal and regulatory framework for public investment management, enact a new Port Sector Law addressing the port authority's operations as well as customs and defining the respective roles of the central government, the port authorities and commercial operators, as well as their relationships in terms of duties, rights, and responsibilities, and finally reform the electricity sector and establish the Electricity Regulatory Authority; and ensure transparency in public procurement.

Last week, the World Bank also issued its Lebanon Economic Monitor which provides an excellent update on key economic developments and policies over the past six months. The findings show that real GDP growth is projected to sharply decelerate to minus 19.2 percent in 2020, on the back of a minus 6.7 percent contraction in 2019.

In a large part due to COVID-19, the tourism sector has been particularly hit. Tourist arrivals fell by 71.5 percent, year-on-year, over the first five months of 2020. In addition, poverty in Lebanon continues to worsen, surpassing half of the population by 2021.

These three reports gave a well-defined assessment of the critical situation that Lebanon is facing and lay down a clear set of actions and reforms that no government in the last 15 years was able to develop or implement.

All is said in these three new reports and no need to reinvent the wheel or second guess the rational of the proposed actions. Lebanon does not have the luxury anymore to challenge. We are out of time. The people are challenging the inaction of the authorities every day.

If Lebanon is to continue to exist or survive for years to come, it must pursue the action plan developed by the international community. An alternative approach based on locally developed sub optimal set of piecemeal actions based on political objectives will not make it anymore. It will make the situation worse with the biggest impact on the poor. The starting point is the process of the reconstruction of Beirut ground zero and to take all the necessary steps to implement the above plan, tackle the problems and rebuild confidence.

The government will have no choice but to immediately negotiate and agree with the IMF on a financial support package to address the macroeconomic imbalances.

A better balance must be struck between fiscal reforms and sector investment in growth and jobs. Reform is contingent on a political will to cut costs, increase budget revenues and improve the fiscal and balance of payments conditions. Only by doing so, Lebanon can be put back on steady growth.

Whether Lebanon can confront such challenges robustly remains to be seen. Doing so is critical to unlock the international aid the country's economy so badly. We need to seize the moment, act now and change course – toward more sustainable Lebanon. And remember Nelson Mandela statement “It always seems impossible until it's done.”

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