

# UN Country Team Position Paper to IMF

Lebanon, September 2020

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## Executive Summary

Against a complex crisis context in Lebanon with the additional impact of the Beirut Port explosions (4 August 2020), the paper outlines the UN's recommendations to ensure that Lebanon builds better while leaving no one behind. Its purpose is to inform and contribute to the IMF technical discussions on required reforms, processes and programmes based on the UN's expertise and knowledge in the social, environmental, governance and economic aspects. It is important to take into consideration and work to address people's demands following the October 2019 demonstrations.

Guiding references that thread through the following chapters are the 2030 Agenda for Sustainable Development and its commitment to 'leave no one behind' and international human rights standards. The nine sections reflect a qualitative analysis by the UN system in Lebanon, discussing: a) the potential implications of reforms and measures formulated in the Government FRP; b) the key policy and programme recommendations; and c) the potential impact if recommended policies/programmes are not pursued or implemented.

### Overview of the key recommendations/policies (full details in the respective sections below)

#### 1. Governance and Rule of Law

- Pursue clear priorities, including judicial reform to strengthen independence and integrity of the judiciary and prevent political interference, the fight against corruption, and overall institutional reform.
- Hold the Government accountable for specific commitments by establishing transparent, participatory, inclusive and accountable decision-making and implementation processes of reforms.
- Revise the FRP to integrate a people-centered approach and build in a process design that incorporates inclusive consultations, legislative and regulatory initiatives, respect for international human rights obligations, as well as integration of a gender perspective and participatory decision-making.
- Sequence and prioritize public administration reform, placing procurement and public financial management reform at the core of it.

#### 2. Social Protection

- *Short term:* Scale-up social assistance, especially cash transfers, based on inclusive targeting to address increasing poverty and vulnerability. Assess impact of subsidy removals on households and design progressive tariff structure for electricity and water. Ensure access, also financial, to public health system and PHCs and SDCs (including ensuring financial viability of NSSF) and to basic education. Complete reform of end-of service indemnity of the NSSF towards a viable long-term pension system for retirement and introduce emergency unemployment insurance.
- *Mid-term:* Complete implementation of a National Social Protection Policy to link social assistance programmes (from social care to basic services) to labor market activation (e.g. employment intensive capital investment projects). Introduce mechanism for extension of coverage of the social insurance system, including health and maternity.

#### 3. Health

- Assess human resources requirements for health and modernize the MOPH, including organizational restructuring, introduction of critical expertise (IT, emergency/crisis management) as well as automation under a national health information and management system (i.e. national electronic health record).
- Link environment and health through strict legislative measures and targets to govern waste and hazardous waste management, as well as water and air quality monitoring and improvement.

#### 4. Education

- Depart from crisis response plan and ad-hoc measures and establish a long-term Education Sector Strategy promoting equity, inclusion and quality of learning, as well as linkages between TVET and employment.

- Put in place a sustainable financial plan for a viable Education Sector Strategy that incentivizes reforms towards sectoral policy priorities and achieves efficient costs of education.

## **5. Housing**

- Ensure housing, land and property rights are not compromised (e.g. modernize registration, inventory and digitization of property documents/titles as part of an overall reform).
- Implement a comprehensive urban development strategy – including housing protection programmes – that aligns with social policies and a transparent taxation framework.
- Explore effective modalities of housing assistance programmes (e.g. rent stabilization measures, social housing projects, interest subsidy).
- Establish a housing-specific database as basis for policymaking (including a house price index, vacancy index, etc.) and a robust legal framework supporting protection systems.

## **6. Human Rights**

- Adopt a human rights-based approach (HRBA) to economic reforms by assessing, preventing and addressing negative impacts on human rights; complying with the principle of non-retrogression of economic, social and cultural rights (ESCRs); and safeguarding fiscal space to enable the State to discharge its human rights obligations, including minimum core obligations (MCOs) of ESCRs.
- Ensure that reforms avoid discriminatory impacts and give special attention to individuals and groups in situations of vulnerability, including women, children, older persons, persons with disabilities and low-wage earners.
- Strengthen national human rights oversight and protection mechanisms.

## **7. Gender**

- Facilitate national investment in social protection systems that correct gender gaps and strengthen protections for both formal and informal workers.
- Ring-fence spending on education and health to protect social gains and to keep women in the workforce as well as expand their participation in the economy (i.e. entrepreneurship) through improving access to finance and supporting legislative frameworks.
- Implement a comprehensive pension system complementing the public sector scheme to reduce poverty among the elderly (women are more vulnerable to due to lower lifetime incomes).

## **8. Economy**

- Promote an enabling business environment, implement and enforce conducive legislative frameworks including laws on Insolvency, Competition, Secured Lending, Private Equity Fund, Anti-corruption strategy, and others.
- Prioritize investment in sustainable productive sectors and enabling infrastructure to generate job opportunities, reduce operating costs and strengthen competitiveness of local industries.
- Promote exports, including through review of international trade agreement, seeking preferred country status from important trading partners and streamline transaction costs (e.g. reduce formalities).
- Restructure banking system according to principles of equity and ability to pay, while ensuring sustainable access to finance to prevent disruption of key business activities.

## **9. Energy, Waste and Environment**

- Prioritize environmental protection (e.g. coastal areas, forests) given its impact on general health conditions, while also allowing economic growth based on sustainable tourism.
- Increase the share of renewable energy, improve energy efficiency and reduce private energy generation.
- Make sustainable transport a priority and provide most vulnerable with increased mobility.

## Human Rights

### Potential implications of reforms and measures in the Government Financial Recovery Plan (FRP)

- **Fiscal adjustment:** The FRP risks placing the burden of restructuring on the most vulnerable and poor. Envisaged is a huge cut on the wage bill with a potential negative impact on the quality of public service and on the State obligations of non-retrogression of economic and social rights in education, health, and others.
- **Social Policy:** The strategy to protect the most vulnerable from high inflation on basic items, austerity measures, and disruption of public services is only based on the enhancement of the current social safety net system. The National Poverty Targeting Program (NPTP) at its current level will not protect the majority of the poor and will be unable to mitigate the strong negative impact on the economic and social rights of the most vulnerable persons. Further information can be found in the social protection section.
- **Debt and monetary restructuring:** The proposed devaluation of the national currency value will have a direct impact on the prices of the basic goods. This puts at risk the right to food and the right to health by drastically reducing financial access to these items for the most vulnerable groups. The FRP expects to free most of the fiscal space through the domestic debt restructuring, with a risk that the cost of this restructuring will be borne disproportionately by low-income households.

### Key policy and programme recommendations

- Adopt a human rights based approach (HRBA) to economic reforms, carrying out **human rights impact assessments**, integrating gender analysis, to evaluate and address possible adverse effects of economic reform measures on the effective enjoyment of human rights (civil, cultural, economic, political and social) and to avoid discriminatory impacts, giving special attention to groups in situations of vulnerability.
- **Fiscal Policy:** Comply with the obligation and principle of non-retrogression of economic, social and cultural rights (ESCRs) (i.e. avoid measures that reduce the realization of ESCR) in the context of austerity measures, rising inflation, and debt restructuring; and safeguard the fiscal space to enable the State to discharge its human rights obligations, including minimum core obligations (MCOs)<sup>1</sup> of ESCRs. In order to build back better, the HRBA to economic reform should rebalance the burden of mobilizing maximum available resources.<sup>2</sup>
- **Social Policy:** Protect the Government minimum core obligations in terms of social spending during the structural reform process. This could be specific to a right. For example, the MCOs on the right to social protection can be defined through the Social Protection Floor Initiative, or can be broader and include spending on health, education, water and sanitation, or housing.<sup>3</sup> This could technically be done by putting a floor on social spending as a ‘quantitative performance criteria’ used by the IMF. Further information can be found in the social protection section.
- **Debt and monetary restructuring:** Provide a liquidity line to subsidize basic items to guarantee financial access to these items for most vulnerable groups, specifically those not covered by social safety nets.
- Strengthen **national human rights mechanisms**, such as the National Human Rights Commission, including the Committee for the Prevention of Torture, established by Law 62/2016, which has yet to be allocated a budget to become operational. An independent and adequately resourced national human rights institution can play a critical role in identifying adverse human rights impacts and ensuring access to justice and to an effective remedy.

<sup>1</sup> Minimum core obligations include essential health care, social protection, basic shelter & housing, water & sanitation, food, quality education.

<sup>2</sup> For example, through a wealth tax that could enhance the coverage of the social safety net.

<sup>3</sup> In its last UPR cycle of 2015, Lebanon accepted the recommendation to “[w]ork towards additional efforts to promote economic and social rights; to enhance in particular the right to work, education, health and housing” (see 132.166).

Potential impact if above policies/programmes not pursued or implemented

- **Fiscal adjustment:** If the HRBA approach is not adopted for the fiscal adjustment, there is a high risk of further disruption of basic public services in the health, education and social security sector. There will be a surge in inequality with increasing frustration fueling social protests, and a high risk that vulnerable households will be forced to adopt negative coping strategies with regard to the education of children and the access to quality food, housing, and healthcare.
- **Social Policy:** There is a risk that efforts to increase the social safety net system’s coverage are not sufficient to protect the most vulnerable groups from falling into poverty. Further information can be found in the social protection section.
- **Debt and monetary restructuring:** If the Government is not able to free fiscal space by restructuring domestic debt, this will multiply the negative effects of fiscal and social policies covered above, particularly on individuals and groups in situations of vulnerability , including women, children, older persons, persons with disabilities and low-wage earners.

## Gender Equality

### Potential implications of reforms and measures in the Government Financial Recovery Plan (FRP)

The FRP is largely gender blind, thus not tackling the structural and deep-seated inequalities effectively, even with a large overall gender gap<sup>4</sup> and one of the lowest rate of women's labor market participation globally at around 29 percent. The consequences of the formulated reform measures in the FRP counteract mitigation of gender inequalities and may severely regress advancements in gender equality and women empowerment:

- The proposed cut of 7 percent on healthcare and education spending: As 79 percent of public healthcare workers and 70 percent public education teachers are women, they are directly and disproportionately affected. Moreover, the economic crisis triggered a transition of students from private to public schools and with the majority of girls being educated in public schools, austerity in public education will significantly affect current female students and their future earning potential. Notwithstanding the large proportion of women facing unemployment in those sectors, crucial resilience systems (not only during COVID-19 pandemic) such as health and education will be underserved and result in worsened health indicators and human capital losses.
- The proposed reorganization and restructuring of the banking sector: During the resulting merger and consolidation, the skilled labor force in the banking sector will be reduced. Women, representing 48 per cent of the banking sector workforce, again face a disproportionate risk of unemployment as during the reform process cultural norms may contribute towards a preferred retention of male employees. The FRP does not provide special measures for retention of women in high-skilled labor market sectors.
- The proposed hiring freeze for the public sector and phasing out contractual work over the next five years: Women hold 15,050 of the 21,500 contracts in the public education sector. Not only do they bear the brunt of the consequences, but termination of contractual arrangements in the health and education sector exacerbate the consequences of the budget cut.

### Key policy and programme recommendations

#### **1. Facilitate national investment in social protection systems that correct gender gaps and strengthen protection for both formal and informal workers, including:**

- Ensure that women are covered equally under all social protection and labor market programmes;
- Ensure that women are part of the decision making on design and implementation of the expanded NSSF program, and as a prerequisite for the proposed scaling up of National Poverty Targeting Programme (NPTP) a more detailed, inclusive and gender-responsive elaboration of its eligibility, selection and assistance distribution process is necessary (to date few women are covered under NPTP, and poor but working women are largely excluded);
- Abolish prohibition of women from employment in certain occupations (e.g. mining, specific exceptions remain around work in factories, agriculture, the energy sector and transportation)
- Together with the extension of paid maternity leave to meet ILO's standard of 14 weeks<sup>5</sup> and to reduce hiring bias implement maternity insurance scheme funded through the NSSF instead of employers.
- Criminalize sexual harassment in the workplace as part of the labor law;
- Amend the social security law to include workers in the informal sector (specifically agricultural workers, where the majority are women and girls);

<sup>4</sup> Ranking 145 out of 153 countries (Source: World Economic Forum Gender Gap report 2020, [http://www3.weforum.org/docs/WEF\\_GGGR\\_2020.pdf](http://www3.weforum.org/docs/WEF_GGGR_2020.pdf))

<sup>5</sup> currently ten weeks

- Amend/abolish discriminatory social security laws, such as, Article 14, Article 46 and Article 47;
- Invest in the protection of the rights of workers, including measures to dismantle the Kafala system.

**2. Ring-fence spending on education and health to protect social gains and to stem the outflow of women from the economy, for example:**

- Prioritize spending on education and align employment reforms in the health and public education sector (including addressing over-reliance on contractual part-time teachers and the poor enforcement of workload policies);
- Ensure continued investments in sexual and reproductive health systems as austerity measures in health care will have an additional negative consequence on women.

**3. Fast-track pension reform to address protection gaps, including:**

- Implement a comprehensive pension system complementing the public sector scheme to reduce poverty among the elderly, where women are again more vulnerable to due to lower lifetime incomes;
- Include the elderly population in social assistance programmes that are currently being devised.

**4. Promote women’s participation in labor market and entrepreneurship, for example:**

- Enable access to financing opportunities as well as non-financial start-up resources for women
- Implement conducive legislation and regulations, especially the competition law to reduce the high levels of market concentration, to foster market competition and open inclusive economic opportunities such as for women entrepreneurs.

**Potential impact if above policies/programmes not pursued or implemented**

Gender inequality is endemic in all aspects of life in Lebanon. In *relative* terms across both the Lebanese and refugee populations residing in Lebanon, there are more women among the most food insecure, the elderly, the unemployed, among public school students, among survivors of GBV, and among migrant workers. Failure to prioritize above reforms will result in women and girls facing even higher risks and growing vulnerabilities (e.g. in terms of unemployment, livelihoods, social protection, and other forms of discrimination) and a regression with gender equality and women empowerment.



## Social Protection

### Potential implications of reforms and measures in the Government Financial Recovery Plan (FRP)

The proposed public expenditure containment measures (e.g. wage bill reduction, pension reforms, subsidy lifting, tariff structure revision) and structural reforms (e.g. in the energy and financial sector) will have a direct negative impact on households' income. This adds to the rapidly increasing economic vulnerability associated to the economic crisis.

Poverty and vulnerabilities of the poorest and across all segments of the population could increase since the proposed social protection mitigation measures appear to be limited in scope, focus exclusively on the expansion of targeted social safety nets (SSN) for the poorest households and lack a systemic vision.

The expansion of cash transfers is a critical component, but needs to be framed in the context of a broader social protection recovery plan that articulates a series of complementary measures to ensure that a) growing society-wide economic risks and vulnerabilities are addressed and b) opportunities for economic and social recovery are enhanced.

### Key policy and programme recommendations

- Policy and programme recommendations in the **short term** to respond to the economic crisis:
  - **Scale-up social assistance** immediately to address increasing poverty and vulnerability introducing cash transfers as an effective and efficient mechanism. Ensure that targeting mechanisms are inclusive, have a robust criterion, are designed to address both poverty and life-cycle vulnerabilities (e.g. people with disabilities, older persons, young children, single-headed households) and include a credible M&E system and sound grievance redressal mechanism .
  - Conduct a **rigorous analysis of the extent and depth of expected welfare impacts** of the reforms in the FRP, especially for those population groups that are often excluded, including children, the elderly, persons with disabilities, women, LGBTI persons, migrants and refugees, giving attention to intersecting factors shaping vulnerability and exclusion.
  - Review impact of **subsidy removal for electricity** on household well-being and design **progressive tariff structure** for provision of electricity and water.
  - Focus **support to PHCs and SDCs** to ensure they can better respond to the increase in demand from communities for public health and social welfare services, including financial access to healthcare and supporting families to keep children at risk at home rather than moving into care institutions.
  - Ensure **financial access to public health system** including free drugs for acute and chronic conditions for all children, free vaccinations and possible expansion to other vulnerable groups - such as pregnant and lactating women, those with disabilities and elderly - and other services.
  - Ensure **financial access to basic education** in the public system: including maintaining 2019 public spending levels on public schools, monitoring impact of the crisis on attendance, repetition and retention, and expanding inclusive schools to accommodate children with disabilities instead of hosting them in specialized institutions.
  - **Ensure financial viability of the NSSF** and other mutual social security funds to reduce the risk of loss of coverage and benefit adequacy due to the fund's arrears, deficit, and erosion of fund value in LBP. Support administrative reforms of the NSSF to ensure wider coverage and facilitate timely access to benefits.
  - **Complete the transformation of the end-of-service indemnity** into a long-term pension system for retirement, disability and survivors for private sector workers and the introduction of a contributory scheme for **(emergency) unemployment insurance**.

- Promote **labor market activation programmes** for un/underemployed to facilitate employment where possible, including job matching, access to skills, labor market information.
- Policy and programme recommendations in the **medium-term** for a national social protection system:
  - Complete the ongoing **development of the National Social Protection Policy**, to provide a framework for the progressive realization of an inclusive and rights-based social protection system, improved efficiency, coverage and coordination.
  - Develop a **comprehensive strategy** to strengthen the whole system of social protection – ranging from education, social assistance, social insurance, access to social care, access to universal health care, essential services and employment.
  - **Reflect the full cost of such a social protection recovery plan** in the medium-term fiscal and economic projections.
  - Ensure effective **linkage of social assistance** to a range of programmes to respond to overall multidimensional household poverty and vulnerabilities, including access to social care, education and skills development, essential services and labor market activation.
  - Introduce a mechanism for **extension of coverage** of the social insurance system – particularly health insurance - to categories of workers currently unprotected, including self-employed, part-time workers, those in the informal economy and migrant workers, including domestic workers.
  - Review financial sustainability of health sector and develop feasible and sustainable plan for **universal access to quality healthcare**, including costing of basic package of health services.
  - Ensure capital investment projects are designed in an **employment-intensive** manner to facilitate job creation, particularly amongst lower-income households, women and youth. Strengthen mechanisms to monitor and enforce compliance with labor law and enhance **labor protection instruments** in the context of ongoing economic downturn and job losses.

#### Potential impact if above policies/programmes not pursued or implemented

Immediate and medium-term reforms outlined above are needed to prevent a social crisis and protect the well-being of the poor and vulnerable as well as the middle class and tackle growing inequalities. In the longer-term, if the above policies are not implemented, Lebanon will face further increasing inequalities, and increase tensions.

## Health

### Potential implications of reforms and measures in the Government Financial Recovery Plan (FRP)

Further impoverishment of the population could be expected due to excessive spending and debt for access to health care, particularly affecting elderly /retired, young people, and workers in informal sector, thus jeopardizing the population's health and increasing the health care bill.

The reform addresses determinants of health (environment preservation, access to quality water, improve air quality), but does not correlate it with the health impacts and needs, which will have a direct contribution to increasing the health care bill and expenditures.

The government is committed to rationalizing public sector employment with a view to improving efficiency and reducing cost. This may have serious repercussions of the Ministry of Public Health capacity to lead the health sector. The MOPH is already working with 45% of its planned human resources capacity. The public hospitals suffer already from a serious shortage in human resources for health, jeopardizing capacity and quality of care to the poorest population groups.

### Key policy and programme recommendations

- Identify the financing mechanism, the eligible population (focus on the unemployed, uninsured, and with special needs), and the type and scope of services to ensure **universal health coverage (UHC)** for all.
- Include in the NSSF reforms of the FRP critical amendments related to the capacity of women to ensure medical coverage for their dependents and addressing explicitly the maternity entitlements.
- **Review the human resources for health and modernizing the MOPH**, including its organigram, introducing critical expertise (IT, emergency/crisis management) and automating within a national health information and management system that introduces the national electronic health record.
- **Ensure hospitals benefit from the special funds** allocated for SMEs and business sustainability (Cedar government fund, cash collateral funds etc.).
- Include strict legislations with measures for implementation that link environment and health, particularly in waste disposal, health care waste management, water quality monitoring and improvement and air quality monitoring and improvement.

### Potential impact if above policies/programmes not pursued or implemented

- **If UHC is not implemented**, health inequity, including sexual and reproductive health, will increase, vulnerable people will be most affected, mainly poor, neonates and infants, unemployed, elderly persons , youth, particularly those out of school, women-headed household, and persons with disabilities. The proportion of out of pocket expenditures will increase, especially with the devaluation of the Lebanese pound and the enforcement of capital controls. Impoverishment due to catastrophic health spending can increase. People will defer care to severe cases, avoiding spending on preventive care. This will ultimately increase morbidity and mortality and increase the healthcare bill and government expenditures on health.
- **If the hospitals do not benefit from the special funds** a significant proportion of the hospitals in the country will not be able to survive the current crisis. This risks the reduction in total number of beds available for health care, and hence, threaten the total capacity to provide timely, quality and adequate care, particularly for the most vulnerable groups.
- **If environmental health issues are not adequately addressed**, the prevalence of cancer and non-communicable diseases, which are the main causes of mortality, morbidity and household out of pocket expenditures on health, will increase, and the gains in health population will be jeopardized. Such issues will also impact increasing prevalence of communicable diseases, which are a main cause of child mortality.

## Education

### Potential implications of reforms and measures in the Government Financial Recovery Plan (FRP)

Despite the focus on establishing a knowledge economy as the key success to country's economic and social recovery and development, the FRP does not direct attention towards needed investments in meaningful reform of the Education Sector, which indicates a lack of vision and political commitment.

- The FRP intends to cut the funding of the education sector by 7%, which will create additional challenges and negative impacts on the sector, especially in the short-term, and will likely affect the most marginalized groups, including youth, people with disabilities, migrants and refugees, who would be at risk of being pushed out of the system. The funding cut will weaken the overall already “compromised” education system as budgets will be reduced and salaries of teachers, maintenance of schools, and support to marginalized children (including refugee children, children with protection concerns and children with specific needs) will decrease. Any positive impact of these reforms will only be observed in the mid-term (2024 onwards) and in the meantime the sector will witness an increase in demand for the public-school system due to shift from private-to-public schools among Lebanese students, and potential risk of increased school dropouts and/or out-of-school children and youth.
- The FRP suggests freezing hires in public employment and eliminating 20% of contractual work over the next 5 years. While hiring of teachers needs to be improved and based on minimum qualifications, this would result in pushing a big number of teachers and education personnel to unemployment; not to mention the resulting dearth of human resources to meet the projected increase in students enrolling into public schools. This is further exacerbated with the proposed reduction of school allowances for public sector employees.
- The FRP includes accelerating the digitization of government and public institutions including education, which is a positive initiative. Digital skills training programs can provide high potential to disadvantaged young boys and girls including refugee youth through digital and soft skills training that connect the youth to online income-generation opportunities. However, if the digitization is high-cost, it will only benefit the upper-middle income categories who can sustain the maintenance costs of digitized education and not the most physically marginalized (i.e., rural poor and children with disabilities).

### Key policy and programme recommendations

#### Strategies:

- Transition from the crisis response plan and ad-hoc measures to **an Education Sector Strategy** that is long-term, promotes equity, inclusion and quality, and embodies the country's education vision for the future.
- Develop a **clear vision and strategy on how to align technical vocational competencies and highly skilled labor needs**, modes of partnerships between the public and private sectors on a large scale, and the labor market capacity (including entrepreneurship) for establishing an ‘ecosystem’ that promotes knowledge economy.
- While digital learning will not be the only solution and investment will continue to be done on face-to-face learning, provide internet-enabled learning devices, including low or no tech approaches to ensure the access of the most marginalized groups, and ensure **a technically-sound learning strategy** that addresses the student-body's and teaching corps diverse needs, including children in refugee and vulnerable host communities for a range of flexible and alternative quality learning opportunities both in formal and non-formal settings, with linkages to child protection and social assistance to address their multiple deprivations and enable them to overcome the main barriers to accessing learning.

### Financing:

- Address the current financing of the education system and put in place a **financial plan** that supports the execution of needed reforms, improves the costs of education, and supports the implementation of the sector’s policy and programmatic priorities.
- Conduct a **clear economic/public expenditure review** in relation to the recruitment of civil servants for sufficient number/quality of teachers.
- **Increase the budget of the education sector** in terms of a) supporting the public school system that is facing additional pressure in receiving students from the private schools; and b) providing the necessarily assistance on infrastructure and hardware/devices per student and skills development for online teaching and learning, including stable and sustainable connectivity, particularly during COVID-19.
- Reform the **outdated costing/budgeting/financing system and develop** a clear exit strategy/direction from the MEHE to reduce dependence on external funding.
- Improve engagement and coordination with the private sector to promote education reforms and enhance small-scale partnerships to support education financing

### Others:

- Further policy/programming priorities:
  - Ensuring free compulsory basic education is achieved for all through promoting and enforcing relevant policies and interventions
  - Ensuring provision of non-formal education for children and youth that are out of school and cannot access certified education immediately, with the goal of ultimately transitioning into formal education.
  - Expanding the compulsory school-age to include pre-primary education;
  - Mainstreaming ‘inclusive education’ (i.e. children with physical and learning disabilities) in public schools;
  - Implementing the Child Protection Policy in all schools, both private and public;
  - Improving learning outcomes and environments;
  - Implementing national curriculum review and human rights-based reform of the curriculum with the participation of stakeholders i.e. teachers, parents' associations, local governments.;
  - Improving the acquisition of life-skills to fit the demands of the 21<sup>st</sup> century;
  - Enhancing teacher training and teacher performance assessment system;
  - Adopting a unified Education Data Management System (EMIS) and improving it to provide accurate, disaggregated, reliable and timely data across education sub-sectors;
  - Strengthening the education system and making it more resilient to future shocks and crises with participation of stakeholders i.e. teachers, parents' associations, local governments.

### Potential impact if above policies/programmes not pursued or implemented

The most vulnerable populations, including Lebanese but especially refugees, could be out of school and left behind, at the general education or at the vocational levels, especially as Syrian refugees currently account for 45% of public-school students. This could ultimately lead to a spiral of education-poverty-child labor/child marriage/negative coping mechanisms and a reduction of opportunities for the establishment of a future pool of human capital that can contribute to the boosting of the Lebanese economic growth. An increase in brain drain would also take place, especially during the short/mid-term.

## Housing

### Potential implications of reforms and measures in the Government Financial Recovery Plan (FRP)

- Proposed monetary restructuring that removes the exchange rate peg to a managed float regime further devalues the Lebanese pound (LBP) and increases the default risk for existing dollar liabilities such as housing loans. As most wage earners in Lebanon are paid in LBP, households will not be able to honor their loan payments, in result the ratio of non-performing loans and foreclosures increases. A devalued LBP will reduce the ability of households to cover rent and other essential spending, affecting household risk deprivation (e.g. negative coping mechanisms such as reducing food purchases, loss of housing), loss of tenure security and/or homelessness.
- A new economic model and a regeneration of the productive economy shifting away from the real estate sector may result in positive spillover on the housing market (e.g. addressing overvaluation of real estate prices, employment creation to improve and stabilize household income, affordable rent levels).
- Proposed revenue-enhancing measures and broadening of the tax base based on review of tax exemptions and incentives in the real estate sector. In the absence of a national house price index for transparent and evidence-based property appraisal, the tax burden is likely to be unevenly distributed or lead to over-taxation of property.

### Key policy and programme recommendations

- **Leverage pre-existing policies** such as a revision of the rent control law to initiate housing protection programmes.
- Include **different modalities of housing assistance programmes** (e.g. cash-for-rent, rent subsidy, rent stabilization measures, social housing projects, interest subsidy, housing cooperatives) and contribute to the development of **national housing policies** under one comprehensive urban development strategy that is aligned with the human right to adequate housing, social policies and a transparent taxation framework, which should consider occupancy.
- Design and implement a **housing-specific database** to better inform policymaking (including a house price index, vacancy index, etc.) and a robust legal framework to support implementation of a protection system against foreclosures (e.g. tenure protection), to govern property acquisition (e.g. auctions) and evictions ensuring due process. In parallel, **enable provision of legal assistance** for those in need (e.g. free and impartial assistance for households and individuals in re-negotiating rent payments and debt), for example through a mandated national institution.
- **Modernize registration, inventory and digitization of property documents/titles** as part of an overall reform of the housing, land and real estate sector.

### Potential impact if above policies/programmes not pursued or implemented

Failure to implement above recommendations may jeopardize the basic human right for adequate housing of a large number of households and lead to deteriorating housing conditions, foreclosures, evictions, homelessness, and property disputes, especially affecting the most vulnerable households (e.g. single-headed households, older persons, migrants, refugees). Foregoing the implementation of an overarching national policy framework with effective implementation of necessary regulations means continued fragmentation of the housing sector (e.g. overlapping mandates of different public institutions, difficult disputes, stifled private sector).

## Governance and Rule of Law

### Key policy and programme recommendations

- Strengthen the legal framework to improve Governance and **fight corruption**, including the following:
  - Implement the provisions related to the laws on Whistleblower Protection and Access to Information.
  - Operationalize the anti-corruption framework in Lebanon, mainly by starting the implementation of the National Anti-Corruption Strategy (NACS) that was approved in May 2020
  - Proceed with the formation of the National Anti-Corruption Institution (NACI), the custodian body for ensuring the proper implementation of the anti-corruption legal framework.
  - Approve in Parliament a comprehensive legal framework to fight corruption including the following draft laws: illicit enrichment, recovery of stolen assets and banking secrecy
- It is imperative that the **legislation relating to strengthening the independence of the judiciary** currently being reviewed by the Parliamentary Administration and Justice Committee be adopted without being watered down, and in compliance with international human right norms and standards.
  - Measures should be taken to **strengthen the role of the Higher Judicial Council and the Judicial Inspection Commission**.
  - Measures should also be taken to ensure that the **procedure and qualifications for the appointment of judges**, guarantees for their security of tenure, the conditions governing promotion, transfer, suspension and cessation of their activities meet the requirement of independence.
  - The **Judicial Inspection Commission** whose mandate covers the monitoring and oversight of the functioning of the courts **needs to be reinforced** and allowed to play its role.
  - Efforts to strengthen the independence of the judiciary should **extend to both civil, administrative and military jurisdictions**, and jurisdiction of military courts over civilians should be removed, in compliance with international human rights standards
- Set up an inclusive participatory approach for democratic participation in decision-making.
- **Consider vulnerable groups** in the envisaged institutional reforms and how their process and decisions impacts the lives of those traditionally marginalized or left behind.
- Develop and approve key legal framework to improve **public financial management** such as a modern procurement law and public financial management law that ensures more improved accountability and transparency in managing public finances.
- Review the civil service law and conduct **clear economic/public expenditure review** to optimize civil service.
- **The FRP needs to be more specific in terms of actionable commitments for the government, a transparent and accountable implementation plan** as well as in terms of process design to prevent/mitigate conflicts.
- **Set up a Financial Tracking Mechanism** that is transparent, public that maps out the external financials flow, including official development and humanitarian assistance [grants and loans], remittances and foreign direct investments (FDI).

### Potential impact if above policies/programmes not pursued or implemented

Failure to overhaul the existing governance and administration of justice structure in Lebanon will prolong the period of socio-economic collapse and risks escalation of security issues. Failure to go through great lengths in anchoring both substantive decisions as well as decision-making processes of the FRP in the principles of good governance (accountability, transparency, responsibility, consensus orientation, equity and inclusiveness) will prevent the re-establishment of trust in government, continue civil unrest and contradict the principle of “leaving no one behind”.

## Economy

### Potential implications of reforms and measures in the Government Financial Recovery Plan (FRP)

Proposed measures to reduce the wage bill, including a hiring freeze, are likely to have a negative impact on productive sectors. Already weak public institutions will further reduce capacities to support the economy.

Proposed removal of fuel subsidies adds an additional financial burden on businesses and farmers that already suffer from high operating costs (e.g. high prices of electricity, and the rising cost of raw material due to the devaluation of the local currency). Any measure that increases operational costs for private sector could better be deferred once extra cost can be compensated by cost reductions resulting from electricity and other reforms.

Proposed Ten-Year Tax exemption on new industries that fit into the FRP's implementation intentions is welcome. However, combined with the call for a progressive increase in corporate tax from 17 to 20 percent, this may negatively affect existing industries, and thus negatively affect efforts to rebuild the economy.

### Key policy and programme recommendations

- **Develop and implement a comprehensive public sector restructuring plan** based on strategically pre-identified needs to shift capacities between (e.g. employees with relevant skills fill institutional gaps especially Ministries of Economy, Agriculture and Industry) and beyond public sector institutions.
- Establish a **technical cross-ministerial committee** including the MoI, MoA, MoET and other relevant Government and non-Governmental institutions (e.g. business associations) to align strategies and maximize impact of programmes and policies, and at the same strengthening Court of Accounts and the Public Inspection Board for improved oversight;
- **Ratify and implement a backlog of laws**, including: the Insolvency Law, Insolvency Practitioners Law, Competition Law, Secured Lending Law, and Private Equity Fund Law, Public Procurement law and others.
- **Promote an enabling business environment** through rules and regulations to reduce informality, combat smuggling and illegal activities, i.e. through implementation of the newly adopted anti-corruption strategy, as well as issue relevant implementation decrees for the Judicial Mediation and E-transactions laws;
- **Prioritize investment in sustainable productive sectors** such as regional industrial and special economic zones (e.g. Tripoli Special Economic zone), and in enabling infrastructure including electricity as well as renewable energy, to generate job opportunities, reduce operating costs and strength competitiveness of local industries;
- **Support exports** to help improve the balance of payment and complement the Government's export promotion mechanism with more aggressive measures, including review of international trade agreements, request for preferred country status from important trading partners, streamline export formalities, etc.
- **Ensure access to financing** by a full restructuring of the banking sector and, in the meantime, devise access to finance mechanisms to reduce the risk of potential import disruptions of essential raw material and ensure continuity of key business activities.

### Potential impact if above policies/programmes not pursued or implemented

Productive sectors already suffered from dire economic circumstances caused by structural challenges before recent shocks. Due to unaffordable imports, a large number of farmers and industrialists have significantly reduced their operations or gone out of business, thus increasing unemployment, poverty and inequality. The crises in Lebanon disproportionately affect informal workers, small farmers, SMEs as well as youth and women. Failure to implement the above-mentioned reforms to recover productive sectors will further exacerbate these negative effects on economic conditions, livelihoods, and food security.



## Environment, Waste and Energy

### Potential implications of reforms and measures in the Government Financial Recovery Plan (FRP)

The FRP prioritizes the Agriculture and Industrial sectors to boost Lebanon's GDP with several implications on the environment.

- For the **industrial sector**: the development of the multiple industrial zones as well as the provision of subsidized loans to promote investments in the target industries such as medication and food processing would increase energy demand and emissions (climate and air pollution), increase pollution loads and industrial waste if not mitigated/managed properly.
- The **agricultural sector** is mandated to shift to high-value crops, but without considering the impacts of climate change and water demand on the sector. This might pose a risk to the certainty of revenues as crops are threatened due to climatic events. Moreover, the FRP proposes a large boost to the sector which implies increased energy and water demand which will strain resources.

### Key policy and programme recommendations

- **Energy**: Prioritize **increasing the share of renewable energy, improving energy efficiency or reducing private generation** in the electricity reforms.
- **Transport**: Prioritize **sustainable transport** in the sector reforms to address challenges in the sector and provide the most vulnerable with increased mobility needed to enhance work opportunities and improve access to jobs and the cities.
- **Environmental and Climate Change reforms prioritized from the FRP**:
  - Prioritize the link between fighting climate change, safeguarding the environment and sustainable development in the FRP, including through: 1) the drafting of the **National Sustainable Development Strategy (NSDS)**, 2) the Low-Emission Development Strategy (LEDS), 3) the concept of Polluter Pays Principle (PPP), 4) the creation of new environmental fiscal instruments, 5) the assigning of a pre-determined share of the oil and gas Sovereign Wealth Fund (SWF) for environmental protection and rehabilitation activities, 6) legal enforcement through enhancing environmental inspection and prosecution, 7) empower people with the rights to access information, participate in decision-making and to seek justice in environmental matters, and 8) the promotion of measures to secure implementation through public-private-academia-civil society partnerships.
  - Prioritize **Solid Waste Management (SWM)** reforms including the comprehensive set of reforms due to the ongoing waste crisis and ranging from pending legislations, to administrative reform by establishing a National Solid Waste Agency, and decentralizing operations to municipalities.
  - Prioritize **water** reforms on resources and management, particularly by mandating the adoption of the water code law revision.
  - Prioritize **Land Degradation Neutrality (LDN)** and the preparation/adoption of the master plan for the protection of environmentally sensitive areas (mountains, protected areas, green surfaces, agricultural terrains, and coastal zones), as well as adopt a comprehensive environmental management approach to prevent pollution at the basin level.
  - Prioritize the conservation of **Lebanon's fauna and flora** and increase in the number of protected areas.
  - Improve management of **quarries**, ranging from enforcing licensing fees to adopting the quarrying master plan to drive the sustainable supply of construction raw materials with focus on the local market. And including collection of due compensations from quarrying operations.

- Enhance **chemical** management and sustainable consumption and production through the development of the legal framework for rationalizing and regulating the use of chemicals in industrial and agricultural activities.
- Implement swift legislation of the Paris Agreement law for climate change implementation decrees. Moreover, the catalyzation of efforts to implement Lebanon’s international climate commitments through the **Nationally Determined Contribution (NDC)** is mentioned, however without hinting to its linkages to other sectors in the FRP. Finally, the launch of the Lebanese Green Investment Facility (LGIF) is prioritized as financial tool to enhance investments. However, the FRP does not consider issues such as adaptation to climate change and disaster risk management which will further burden on the Lebanese economy and population.
- Implement swift legislation of the **Air Quality** law for climate change implementation decrees to enhance and protect ambient air quality. Moreover, the maintenance of the air quality monitoring system has been prioritized in the FRP.
- **Develop the eco-tourism industry** through the establishment of partnerships with the USEIL (Union of Sustainable Eco-tourism Institutions in Lebanon) and implement STILL (Solidarity Tourism Initiative Lebanon).

#### Potential impact if above policies/programmes not pursued or implemented

If the Energy and Environment reforms in the FRP fail to be implemented, **an increase in emissions and pollution as well as a high health bill** is envisaged. This impedes sustainable development in terms of poverty, resources, health and economic opportunity. The following impacts are likely to occur:

- The **Energy** sector will continue to remain one of the heaviest burdens on the Lebanese budget, and will become less and less robust, shifting more dependency on private generation. Coupled with the currency devaluation, private generation bills will increase exponentially which will burden already vulnerable groups. The reduced chances of 24-hour reliable electricity will impact business operations which will drive GDP down further and impede development.
- The absence of a reliable public **transport** will increase the reliance on private vehicles. However, the lack of foreign currency and the devaluation of the Lebanese currency will make it increasingly difficult for vulnerable groups to purchase a means of transport, threatening their chances of employment and education. Moreover, the heavy pollution stemming from already existing private transport is set to continue, further endangering the health of the population. Urban sprawl would continue, and rural development discouraged.
- **Environment:**
  - If the current situation with **solid waste** remains, increased health hazards will occur due to open dumping and open burning. This will in turn impact ecosystems and pollute precious water and agricultural resources. The health bill will also increase which will burden vulnerable groups.
  - The absence of strategy will threaten the roadmap to reach sustainable development at the planning level. Moreover, the lack of enforcement from a legal perspective will further impede accountability and ensure the continuation of heavy pollution and emissions. This affect vulnerable groups from a health perspective, especially when health bills will be higher.
  - If the **water** is not regulated, improved and managed, water resources will not be available reliably, and the need for water cisterns at a high cost will increase. Moreover, not treating wastewater and managing

industrial waste will further decrease the amount of water available for drinking and agriculture which in turn will reduce resources available for development and growth.

- If the **forests and biodiversity and basins** are not protected, it will be difficult to use their economic benefits, and will be subject to increase pollution. Moreover, more endemic species would face extinction. This would also decrease opportunities for tourism which a key sector in the strategy.
- Not enforcing legislation in the **quarry** sector threatens the needed rehabilitation of sites in which erosion and landslides are likely to occur.
- Not regulating **chemical** substances will increase diseases as well as heavy pollution in sites which will be very difficult to rehabilitate.
- For **climate change**, not implementing the NDC will result in an emissions' increase and failing at adapting to dangerous climate events which will further impact vulnerable groups.
- Not implementing the **air quality** law will not limit emissions from industries, businesses and road transport which will further increase pollution and consequently the health bill.