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A large, thick blue circular arrow graphic that starts at the top left, goes clockwise, and ends at the bottom right, framing the central text.

ASSESSING EU-MEDITERRANEAN
POLICIES IN THE FIELD OF INDUSTRY
FROM A BOTTOM-UP PERSPECTIVE:
THE CASE OF LEBANON

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ABSTRACT

This country report assesses the industrial sector in Lebanon through the lens of bottom-up actors in the industrial field, ranging from public institutions and international organizations to civil societies and private firms. It attempts to evaluate the current challenges facing industrialists within the national framework, in the context of Lebanon's political environment. Furthermore, the research discusses at length EU industry-related policies and trade agreements and presents a list of recommendations to address the issues at hand based on the perspectives of key players in the sector. The report draws upon interviews conducted with stakeholders in the Lebanese industrial sector, reports produced by selected stakeholders, papers by scholars and private consultants, as well as government reports. This report demonstrates that efforts employed by the private sector alone in order to advance the industrial sector are not sufficient. Consequently, further collaboration with the Lebanese government is required along with assistance from the EU, particularly given the war in neighbouring Syria and the subsequent refugee crisis in Lebanon.

INTRODUCTION

This country report was prepared within MEDRESET Work Package 6, whose aim is to evaluate the effectiveness and potential of EU policies and measures in industry and energy in light of the interests, needs and expectations of different bottom-up actors on both shores of the Mediterranean, with the purpose of identifying inclusive, responsive and flexible policy actions to reinvigorate EU–Mediterranean relations.

Specifically, this report assesses the industrial sector in Lebanon through the lens of bottom-up actors in the industrial field, ranging from public institutions and international organizations to civil societies and private firms. The industrial sector is a major economic sector in Lebanon, albeit with the presence of a large informal economy. The Lebanese economy has suffered tremendously during the last eight years due to the civil war in neighbouring Syria, further exacerbated by weak institutions and internal political divides. Amid the challenging local and regional situation, a gradual decline has been recorded in exports of industrial products in the past five years. More generally, the Lebanese industry sector is faced with several challenges: inadequate infrastructure, which hinders transportation and communication within Lebanon;

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high costs of land and energy; tough local and foreign competition; an unfriendly business environment; and limited access to export markets.²

Moving from this premise, the report will provide a bottom-up understanding of EU policies in the field of industry in Lebanon drawing upon interviews conducted with stakeholders in the Lebanese industrial sector, reports produced by selected stakeholders, papers by scholars and private consultants, as well as government reports. It will present the research results around the following themes: (i) how local stakeholders pose themselves vis-à-vis a number of key issues concerning the industry sector in Lebanon; (ii) which ideas grassroots actors promote with regard to industry domestically and if these views are conflicting, competing or converging with EU policies; and (iii) how they assess the effectiveness of European policies in their country. The report will conclude by presenting a list of policy recommendations to address the issues at hand, based on the perspectives of key players in the sector.

1. METHODOLOGY

As per the guidelines set by the MEDRESET project, the fieldwork consisted of identifying and interviewing 20 to 30 main stakeholders in the Lebanese industrial sector, to ensure a heterogeneous sample. Stakeholders interviewed in the first round (September–October 2017) include officials in public institutions, international organizations, firms from the private sector, financial institutions and civil organizations (see Table 1). In the second round of interviews (March–April 2018), a financial institution, an incubator, an association for women, a confederation for workers and SMEs were included (see Table 2).

In total, only 21 interviews (7 females and 14 males) were conducted due to the unresponsiveness of many stakeholders, particularly in the private sector and with non-governmental organizations (NGOs), despite the extensive efforts exerted in following up (for a list of the interviewees, see Annex 3). As a first step, stakeholders were contacted through email, followed by a phone call if a response was not received. When requested, the project flyer and an endorsement letter from the project investigator were sent to stakeholders. Subsequently, stakeholders were contacted by phone repeatedly to schedule an interview.

During the fieldwork stage, a number of challenges came up. First, two key stakeholders refused to sign the consent form, required by the International Review Board before conducting research with human subjects, which prevented us from proceeding with the interview. Second, often the point of contact, usually assistants, failed to get our message across to the designated persons, which impeded our efforts in getting hold of them. Finally, many stakeholders claimed to be too busy to schedule an interview.

The most forthcoming stakeholders were those affiliated with public agencies and civil organizations, whereas the least responsive were private industrial firms (see Table 3). The latter did not generally have any experience working with the EU or any knowledge about EU policies implemented in Lebanon, thus interviews conducted with them focused on the challenges faced and recommendations to improve the sector (for the questionnaire, see Annex 4).

2 For a detailed analysis of the industry sector and national policies in Lebanon, see Annex 1.

Despite the limited number of interviews conducted, our sample comprises key players in the sector with diverse backgrounds and experiences with the EU, including actors who have been excluded by EU interventions and Euro-Mediterranean dialogue.

Table 1 | Stakeholders interviewed in the first round, September–October 2017

Type of stakeholder	Name
Governmental organizations/ Public institutions (local)	Ministry of Industry Ministry of Economy and Trade Investment Development Authority of Lebanon (IDAL)
International governmental organization (IGOs)	International Labour Organization (ILO)
International financial institution (IFIs)	International Finance Corporation (IFC)
Local financial institutions	Kafalat Sogelease Liban
Incubator	Berytech
Private sector (local)	Mounir Bissat Factories Chateau Ksara Power Steel Al-Wadi
Syndicate	Union of the Syndicates of Labourers and Employees of the Trade Sector
Associations	Chamber of Commerce, Industry and Agriculture (CCIA) Association of Lebanese Industrialists (ALI)

Table 2 | Stakeholders interviewed in the second round, March–April 2018

Type of stakeholder	Name
Local financial institution	Kafalat
Incubator	Berytech
Private sector (SMEs)	Robinson Agri Taqa
Syndicate	General Confederation of Lebanese Workers (GCLW)
Association (for women)	Lebanese League for Women in Business (LLWB)

Table 3 | Overview of stakeholders contacted and interviewed

Type of stakeholder	Contacted	Interviewed
Governmental organizations/Public institutions	4	3
IGOs	4	1
IFIs	1	1
Local financial institutions	4	2
Incubators	1	1
Private sector (local)	23	6
Syndicates/Unions	7	2
Associations	6	3
NGOs	7	0

2. ANALYSIS OF RELEVANT TEXTS PRODUCED BY THE SELECTED STAKEHOLDERS

2.1 OVERVIEW OF INDUSTRY STAKEHOLDERS³

The main stakeholders in the industrial sector fit into three categories: (i) the market players such as industrial firms, companies and factories, (ii) facilitators and mediators and (iii) policy makers. Our sample includes agro-food, steel and wine industries as market players; non-governmental organizations (NGOs), associations and financial institutions as mediators and facilitators; and ministries, specifically the Ministry of Industry, the Ministry of Energy and Water and the Ministry of Economy and Trade (MoET) along with the legislative branch of the government as the policy-makers. The MoET is mostly involved in trade agreements and support to SMEs through the implementation of programmes and projects aimed at improving the business environment. The Ministry of Industry's work is more focused toward industry; it consists of regulating the industrial sector as well as enhancing the development of local industries.

Our sample includes industrialists from the steel, wine and agro-food industries. The challenges faced by stakeholders in each subsector are different. On one hand, the steel industry is a heavy industry that relies massively on energy; the representative of Power Steel, a manufacturer of steel formwork and scaffolding, expressed frustration with the high cost of energy and the administrative red tape the factory endures in dealing with customs. On the other hand, as claimed by Chateau Ksara, a wine company in the Bekaa valley in Lebanon, the main challenge of the wine industry is related to foreign competition. Meanwhile, the agro-food industry's main frustration lies in the quality infrastructure and export barriers associated with international standards of food production and rules of origin stipulated in the EU–Lebanon Association Agreement. Even the representative of Alwadi, an agro-food brand, mentioned that the factory buys water due to the limited quantity supplied by the government which is not sufficient to work with. Eventually, however, although each subsector of the industry faces challenges disproportionately, similar problems were recurrent during the interviews.

Furthermore, our sample also includes two SMEs, Robinson Agri and Taqa. The former introduced important products and services that contributed to the development of the agricultural sector in Lebanon. In 1970, Robinson Agri launched greenhouses in Lebanon and was recognized as a pioneer in the field.⁴ Taqa is the first wheat-free and GMO-free wholesale bakery in Lebanon, and sells healthy and natural on-the-go snacks. Taqa introduced innovative and healthy products to the Lebanese market, while still sticking to traditional Lebanese flavours. The company grew from selling wheat-free oat bread in Souk El Tayeb in 2013, to having 120 points of sale (POS) across Lebanon. Taqa aims to reach more than 500 POS soon, and hopes to expand beyond Lebanese borders and sell its baked goods to other Middle Eastern countries as well (Duff 2017).

³ This section was written based on the interviews conducted with industry stakeholders under the umbrella of the MEDRESET project.

⁴ See Robinson Agri website: *About Us*, <http://www.robinsonagri.com/#abouts>.

The second category of stakeholders, the facilitators and mediators, include intergovernmental organizations such as the ILO, UNIDO and the United Nations Development Programme (UNDP), the Chamber of Commerce, Industry, and Agriculture of Beirut and Mount Lebanon (CCIA-BML), in addition to the Association of Lebanese Industrialists (ALI). The latter is a national association which represents manufacturing companies in Lebanon and lobbies on their behalf. It also participates in the process of policy-making by submitting recommendations and advocating for the development of Lebanese industries through various activities. The CCIA-BML is a non-profit private organization that represents the private sector and works to promote its interests in the context of an inclusive competitive economy while providing advisory services for enterprises. The Chamber is the link between the government and businesses; it submits recommendations related to policies and legislation, and promotes dialogue between both parties. The General Confederation of Lebanese Workers (GCLW) aims to: (i) defend workers in Lebanon and seek to raise their professional, social, economic and moral levels; (ii) strengthen cooperation among the affiliated unions and ensure coordination among them, in order to achieve their goals and objectives; (iii) ensure the implementation of laws and regulations that foster labour relations and seek the enactment of labour, economic and social legislation that guarantees the interests of workers within the framework of social justice; (iv) participate in the formulation of social, economic and national policy.⁵

One of the GCLW's latest conferences, in 2015, tackled the negative economic situation in Lebanon instigated by the high rates of unemployment and public debt, and the decline of the tourism and trade.⁶

Additionally, one of the stakeholders interviewed is an organization of women, the Lebanese League for Women in Business (LLWB). The LLWB's goals are to enhance the role of women in the workplace and bring Lebanese working women together to share experiences, learn new skills and make connections. In celebration of their tenth anniversary in 2016, LLWB launched a "Women in the Boardroom" initiative to increase the share of women on businesses' board of directors, aiming to reach 30 per cent representation by 2025 (Interview LLWB).

Other facilitators consist of financial institutions such as International Financial Corporation (IFC), Kafalat, Investment Development Authority of Lebanon (IDAL) and Sogelease Liban, which support industry, particularly SMEs, through easier access to financing. IFC's mission is the achievement of long-term inclusive economic development by providing NGOs, private companies and governments with financial assistance and advisory services. Its work incorporates women's empowerment, youth employability, infrastructure, renewable energy, the promotion of SMEs and regional integration. Kafalat guarantees loans to small industries with minimal or no collateral based on feasibility studies and business plans. IDAL conducts market studies related to eight sectors⁷ in order to attract investors and promote exports; it also supports SMEs by facilitating their access to funding and advising them on legal matters. Sogelease Liban supports industrialists by providing them with the option of a lease to own in order to buy new equipment and expand their business.

5 See CGTL website: *The Internal System of the Union* (in Arabic), <http://www.cgtl-lb.org/RulesOfProcedure.aspx>.

6 See CGTL website: *The Union's Activities* (in Arabic), <http://www.cgtl-lb.org/ActivityNewsDetails.aspx?ID=9403>.

7 Agriculture, agro-industry, industry, information technology, media, technology, telecommunication and tourism.

Ensuring a transparent relationship and setting up regular meetings between stakeholders are critical to the development of the Lebanese industrial sector, which can be achieved through the contribution and cooperation of public agencies, the private sector, organizations and financial institutions advocating on the industrialists' behalf. Several stakeholders interviewed expressed a lack of communication between these players, which leaves business owners struggling to cope with the tough business environment and complicates the job of mediators in supporting them. This is mainly due to persistent corruption among high-level government officials and the bureaucracy that exists in public agencies. However, as claimed by multiple respondents, the most pressing issue at hand is the Syrian crisis and consequently, the growing number of Syrian refugees which has increased the burden on the Lebanese economy.

2.2 THE NATIONAL APPROACH TO EXPORT PROMOTION

2.2.1 ECONOMIC DIPLOMACY

Interviewees agree that establishing a comprehensive economic vision for the country which includes integrated measures in addition to structural and institutional reforms is necessary to reinvigorate the industrial sector. The Minister of Industry, during a dialogue session organized by the Economic and Social Council of Lebanon on 23 October 2017,⁸ claimed that individual ministries and agencies are incapable of operating on an individual basis without guidance, oversight and support from the government. On one hand, laws have to be approved and passed through parliament. On the other hand, different sectors of the economy are interconnected in such a way that policies implemented and enforced in one sector would affect all other sectors. Therefore, the government would be the coordinator of policy actions with the national interest in mind. This particularly applies to export promotion, a subject addressed by Hajj Hassan, the Minister of Industry, and Jacque Sarraf, chairman of Malia Group, during a panel discussion on 23 October 2017. Increasing exports are achieved through access to new markets, which in turn is realized by virtue of economic diplomacy. High-level negotiations between Lebanon and other nations are key to profitable bilateral agreements that focus on the industries in which the country has a comparative advantage to be able to export in large quantities. Some panellists even went further to suggest that the Ministry of Foreign Affairs should set up a committee comprised of representatives of the industrial sector along with trade specialists. It would then negotiate potential export markets while ensuring industrialists' demands are addressed. Economic diplomacy would also connect Lebanon to its diverse diaspora characterized by its large dispersion around the world and the success of Lebanese immigrants. Members of the diaspora would be able to assist and promote Lebanese exports considering their high-profile positions as business leaders and their familiarity with foreign markets.

2.2.2 GOVERNMENT INITIATIVES

Export-led growth is a strategy by which economic growth is driven by niches of certain types of exports; in other terms the country would export the goods in which it has a comparative

⁸ Panel discussion on "Industry Support and Export Promotion" chaired by Industry Minister Hussein Haj Hassan, organized by the Economic and Social Council of Lebanon in cooperation with the European Union, at the Council's headquarters in Central Beirut on 23 October 2017.

advantage. Some respondents insisted that Lebanon would benefit tremendously if it shifted its production from low-value-added manufacturing to more technology-intensive goods because that is, in their view, the future of the industrial sector. Others believed that the Lebanese industry would be better off if it focused on its most promising sub-sectors, mainly pharmaceuticals, wine, olive oil and jewellery. According to IDAL, the aforementioned sectors present the highest investment opportunities and potential for expansion. For instance, the pharmaceutical industry experienced a 6.1 per cent growth from 2014 to 2015 and is expected to keep growing at a rate of 6.2 per cent through 2020, reaching a total estimated value of 2.2 billion US dollars (IDAL 2016a: 4). Production of olive oil, a prominent agro-food product, reached 23,000 tons in 2017 – an increase of 4.7 per cent compound annual growth rate (CAGR) between 2011 and 2017. Moreover, olive oil exports have been growing steadily since 2014 by a CAGR of 9 per cent, reaching 7,703 tons in 2017; mainly exported to the United States and the Gulf.⁹ Additionally, the wine industry is estimated at 41 million US dollars and booming in Lebanon by reason of its excellent reputation and great quality; exports have grown between 2012 and 2016 by a CAGR of 4 per cent reaching 16.6 million US dollars (IDAL (2017a: 14). In 2016, alcoholic drinks and spirits accounted for 6 per cent of total production of agro-food enterprises and 19 per cent of agro-food exports along with beverages and vinegar (the second largest share of agro-food exports).¹⁰

Owners of individual food industries elaborated on the fact that Lebanese imported foodstuff are labelled as ethnic food in Europe and America. Thus, producers cannot commit to exporting large quantities since these products are mainly sold to the Lebanese diaspora, which is a relatively small market abroad. Additionally, retailers require a large permanent stock as guarantee against shipping risks, which Lebanese exporters cannot conform to given sub-optimal productivity levels and lack of economies of scale.

Exports are promoted through several other channels as well, including export and marketing subsidies. An export subsidy consists of direct cash payments or tax relief to exporters in an effort to protect some industries and enable them to enter the global market. Additionally, marketing subsidies are designed to increase exposure of local industries through funding provision to attend international fairs and have access to advisory services (Melki 2017).

2.2.3 APPROACH TO TRADE LIBERALIZATION

The interviewed stakeholders are in disagreement about whether policies that lower trade barriers and increase competition in Lebanon would have positive repercussions on the economy and on industry. On one hand, the former Minister of Economy highlights the positives of a World Trade Organization (WTO) accession, suggesting that it would put Lebanon on the global trade map and attract FDIs – thereby creating job opportunities and promoting economic growth. However, he recognizes the need to learn from past unsuccessful trade agreements that disadvantaged the country, and acknowledges the necessity of a more measured approach to trade liberalization (ANND 2016). On the other hand, many industrialists, including the president of the ALI and the current Minister of Industry, are wary of trade

⁹ See IDAL website: *Olive Oil*, http://investinlebanon.gov.lb/en/sectors_in_focus/agro_industry/olive_oil; and *Agro Industry*, http://investinlebanon.gov.lb/en/sectors_in_focus/agro_industry. See also IDAL (2017b).

¹⁰ See IDAL website: *Trade Performance*, http://investinlebanon.gov.lb/en/lebanon_at_a_glance/lebanon_in_figures/trade_performance.

agreements signed without careful consideration of the impact they would have on some industries that cannot compete in the global market and are in need of government support along with some level of protection. The GCLW shares this view and expressed its dismay with the decision to accede to the WTO, as it would hurt workers if instituted without some level of protectionism coupled with a reduction of production costs (ANND 2016). An independent report published by USAID in 2011 (Crafton et al. 2011) found a weak link between accession to the WTO and FDI, citing many instances where the opposite outcome occurred (Biddle 2013). In Estonia for instance, accession to the WTO has triggered a drop of 42 per cent in FDI, 10 years following the accession date, which justifies the reluctance of some developing countries, namely Lebanon, to join the WTO.

Stakeholders argue that the association agreement (AA) signed with the EU (effective since 2003), along with steps taken to ensure Lebanon's accession to the WTO since 1998, have hurt Lebanese exports and worsened the trade deficit. The Minister of Industry expressed his concern by stating that the trade deficit in the region has increased by 7 billion US dollars a year since the agreement entered into force (ANND 2016). The minister attributes this variation to the size difference between the economies of Lebanon and the EU as well as unequal treatment policies. The EU imposes restrictions on specific goods imported from Lebanon such as dairy products and honey, by requiring far-reaching standards pertaining to rules of origin, quality and specifications that Lebanese industrialists cannot comply with, whereas the Lebanese government does not impose any conditions on European imports. The WTO accession phase has had its toll on Lebanese exports as well; adherence to the WTO is contingent upon some specific regulatory and institutional requirements that a country has to conform with. Lebanon is currently still in the transitional period, though it has come a long way since 1998 by passing some legislation and enforcing trade policies. The process has stalled since 2006 due to the war with Israel and the political turmoil, which has left WTO accession on the bottom of the government's priority list (Biddle 2013).

Respondents and the Minister of Industry particularly mentioned the government's decision to lower tariffs on imported goods prior to the start of the negotiations in 1999, contrary to normal practice. This decision has compromised the country's position during the accession period, as Lebanon did not have any margin to decrease its duties even further, which ended up damaging its exports volume. Referring to overall trade statistics, it was found that after the AA was signed in 2002, Lebanese exports to the EU went from 27.7 per cent in 2002 to 35.4 per cent in 2003 of the total share of Lebanese exports. However, this was short-lived, as exports to the EU then declined continuously, reaching their lowest share at 13.2 per cent in 2014. More recently, in 2016, exports to the EU make up 14.3 of total exports.¹¹

2.2.4 APPROACH TO HIGH PRODUCTION COSTS

In order to tackle the issue of elevated cost of production, a restructuring of the energy sector must be initiated. One of the solutions proposed by the ALI representative is to subsidize the cost of energy incurred by industrialists and SMEs (Interview ALI). In other terms, the government would bear part of the production cost, thereby encouraging factory owners to up

11 ITC Trade Map: *List of Importing Markets for a Product Exported by Lebanon*, https://www.trademap.org/tradestat/Country_SelProductCountry_TS.aspx?nvpm=1422|||TOTAL||2|1|1|2|2|1|2|4|1.

their production. However, a long-term fix to expensive energy is the exploitation of Lebanon's newly discovered oil and gas reserves. In January 2017, the Council of Ministers approved a decree "paving the way for the first licensing round of offshore gas exploration in Lebanon's Exclusive Economic Zone" (World Bank 2017a: 10).

Furthermore, cost of land is another main component of the expenditures incurred by industrialists. This can be addressed through the establishment of industrial zones. Several stakeholders such as Berytech, IFC and the Chamber of Commerce, Industry and Agriculture (CCIA) expressed their optimism regarding the prospect of industrial zones and their potential in improving the economic climate, given their potential to attract FDIs and create job opportunities. Also, the Ministry of Industry (Mol) argued that although Lebanon is a small country, land is still available especially in rural areas where it is publicly owned by municipalities, or privately owned by religious institutions which are not utilizing it in any way.

Aside from expensive energy and land, the Lebanese labour market is rather challenging on many fronts. The unemployment rate is particularly high among the youth, 34 per cent (World Bank 2013b). This segment of the population is disadvantaged as it is difficult for young educated individuals to find high-paying jobs that match their skill set given that most sectors in the Lebanese economy are low-value-added in nature, according to economist and human development specialist Zafiris Tzannatos (ACTED 2014). Thus, given that the industrial sector in Lebanon relies on low-skilled labour, unemployment is exacerbated by the surplus of educated individuals,¹² driving educated Lebanese youth to immigrate in search of better job opportunities abroad. This brain drain situation is unfortunate as the industrial sector lacks the human capital needed for optimal productivity, as is confirmed by the labour market assessment conducted by ACTED in 2014.

From the private sector, the representative of the Mounir Bissat Factories voiced concerns regarding the newly approved salary scale and tax increase that would raise the minimum wage in the private sector, thereby increasing the cost of labour even further. The economy is trapped in a vicious cycle whereby higher minimum wages result in inflationary pressure that would render the attempt at increasing standards of living futile. However, LLWB claims that despite the increase in wages, wages are still too low compared to the cost of living in Lebanon, as a result of the Government of Lebanon's (GoL) inefficiency. Indeed, the latter is reproached for not conducting any surveys to determine what the minimum wage should be, based on living conditions in Lebanon. The GCLW claims that there is no clear policy vis-a-vis wages in Lebanon; wages in the public sector have increased given the new salary scale whereas minimum wage in the private sector has not changed since 2011. The GCLW is working on improving the wages and benefits of the private sector which employs more than one million workers, however it is being met with opposition from various private organizations. In fact, the LLWB claims that wages in the private sector are sometimes below the minimum wage. The GoL should be providing oversight and managing this issue. The Robinson Agri representative claims that in solid private companies employees are able to earn decent salaries, but finds it peculiar that agricultural engineers earn less than other sorts of engineers. In addition to this issue, equal pay for women and men and equal division of employees by gender are also

¹² As per the Lebanese Labour Minister Mohammad Kabbara, every year around 30,000 to 35,000 people graduate from university while only 5,000 jobs are available (Kadi 2017).

being addressed. These initiatives were taken by the Robinson Agri co-founders, who are both women. Finally, Taqa claims that raising wages is challenging given the high cost of doing business in Lebanon in addition to taxes imposed to finance government spending. In the Taqa representative's opinion, no benefits are attained in return for the taxes paid – not even proper roads and infrastructure to facilitate delivery of Taqa products to Beirut markets – unlike in Europe where SMEs benefit in return.

2.2.5 APPROACH TO THE IMPROVEMENT OF THE BUSINESS CLIMATE

In conjunction with lowering the cost of production, improving the business environment and promoting clusters is crucial to the prosperity of SMEs and the fostering of entrepreneurial spirit, which in turn spurs innovation. This process starts with a comprehensive reform of outdated laws and an enactment of new regulations aimed at protecting small business owners and talented individuals who aspire to launch their own enterprise. Many respondents complained about the inefficiency of the legislative body in passing new laws: some have been promulgated though not yet implemented, some have not been enforced, and some drafted laws are not being discussed or no decision has been made on them. This was further substantiated by a study conducted by USAID (Muir et al. 2015).

According to Berytech, an incubator of start-ups, updating and enforcing intellectual property rights (IPR) laws is part of an incentive package that would retain the brightest graduates and attract foreign talent. It would also be of added value to design special visas and facilitate the work permit procedures for particularly skilled individuals who are coming from abroad to work in Lebanon. Their expertise and knowledge would benefit local industries through technology transfer. The protection of IPR would advance Research and Development (R&D) and encourage firms and enterprises to innovate rather than imitate. In Lebanon, companies do not have an R&D department because they believe their investment won't yield future return. The government's role is to ensure an appropriate climate is in place to embolden firms to take risks and support them along that path. This was further substantiated by the General Director of the Ministry of Industry, who claimed that the one of the ministry's goals is to support R&D and innovation to develop the industrial sector; in this regard, nanotechnology and mechatronics are being introduced by the ministry. Recently, Banque du Liban (BDL) has been investing in R&D more aggressively. In order to create an ecosystem for start-ups, BDL initiated Circular 331 in 2013. The initiative's primary goal is to boost the Lebanese knowledge economy by creating local jobs and reducing Lebanon's brain drain through injecting an estimated 400 million US dollars in the Lebanese enterprise market. Through Circular 331, Lebanese banks commit to investing up to 3 per cent of their capital in start-ups (such as start-up support entities, funds or directly into start-ups), receiving in return 7-year interest-free credit from BDL. In addition, BDL guarantees 75 per cent of the investment, thereby reducing potential loss to 25 per cent (Choucair and Flynn 2016: 11). Also, the National Council for Scientific Research, a research and development centre affiliated to the Lebanese government, receives 3.2 million US dollars in funds on an annual basis (Nash 2017). More recently, the Lebanese government has released a 48 million US dollar fund in order to support start-ups working in technology and software programming specifically (with emphasis on the telecom sector) (StartUp Bahrain 2018).

Likewise, market competition would incite companies to operate optimally while facilitating easy entry and exit of firms. A report published by USAID in 2011 found that if the Lebanese parliament passes the competition law, it would spur an annual growth in GDP of 10.7 per cent

from 2012 to 2021 (Crafton et al. 2011: 9). This law would increase competition by facilitating market entry while preventing monopolies and oligopolies from controlling prices.

Improvement of the business environment entails easy access to finance as well, by giving loans with low collateral and low interest rates to SMEs. One of the main goals of Kafalat is to shift banks' approach to lending by relying on feasibility studies rather than net worth or guarantee.

A friendly business climate for industries and SMEs calls for the total elimination of administrative impediments and drawback they might face every day. The Al-Wadi representative said that the municipality has recently installed parking meters right in front of the factory, which forces employees to pay an amount of 12,000 Lebanese pounds per day to avoid getting a ticket. The factory is paying on their behalf, which further adds to the high production cost. The Power Steel representative acknowledged the need to bribe some officials in order to achieve smooth transit of products through customs. Clearly, the government and public agencies could ease some bureaucratic procedures and tasks, thereby ameliorating business performance.

Overall, a proper regulatory framework that ensures easy market entry for small and medium enterprises, an enforced rule of law that does not give preferential treatment to monopolies and a financial system designed to endorse small business owners through accessible financing would help to integrate SMEs and contribute to their success.

2.2.6 ASSOCIATION OF LEBANESE INDUSTRIALISTS' ECONOMIC VISION

Finally, the ALI has suggested a plan that would guide the country on the right track and particularly contribute to the development of the Lebanese industrial sector. The recommended plan consists of six steps to be implemented in the following order:

1. Improve the performance of each economic sector through the adoption of a stimulus package by injecting 3 per cent of the value of GDP into the economy. This is achieved through the following:
 - Encourage investment spending and consumption by prompting businesses to acquire certifications such as ISO and by stimulating the real estate sector. One way to achieve this goal would be to exempt low-income individuals from the property registration tax and reduce the value-added tax on durable goods for one year.
 - Support national products by preventing dumping practices through the adoption of quotas on some imports. Furthermore, the government could promote local industry by urging the United Nations to offer products made in Lebanon as aid to Syrian refugees and organize year-round conferences in an effort to reinvigorate the tourism sector.
 - Promote exports by subsidizing the working capital and shipping costs for exports. The ALI suggested the formation of export credit institutions such as COFACE in France and Hermes in Germany in an effort to financially support exporters.
 - Ease access to finance by injecting liquidity into the financial system in partnership with the Central Bank and commercial banks.
2. Increase the efficiency of the public sector through better management of employees within governmental agencies.
3. Ameliorate the working conditions of the private and public sectors by enhancing healthcare services and approving revised salary scales and wage structures.
4. Cooperate with the international community to ensure the prevalence of stability and security

in Lebanon. Assistance programmes aimed at improving the Lebanese infrastructure are a solution to the integration of Syrian refugees into the Lebanese job market, as Syrians typically work in the construction sector.

5. Develop a partnership between the public and private sectors.
6. Develop a clear action plan as a first step to the exploitation of the oil and gas reserves.

Given that Lebanon is in the midst of a region shaken by political instability and turmoil, the country ought to focus on building its economy by isolating itself as much as possible from conflicts in the region and exploring new possibilities.

3. ANALYSIS OF THE RECURSIVE MULTI-STAKEHOLDER CONSULTATIONS

3.1 IDEAS GRASSROOTS ACTORS PROMOTE WITH REGARD TO INDUSTRY DOMESTICALLY

Stakeholders believe that the development of the Lebanese industrial sector is conditional upon lower production costs, larger exports and a regulatory framework friendlier to SMEs, along with easier access to financing. Domestically, the views of both the EU and the main industry players converge, although EU policies do not directly address high production costs related to energy, land or labour. Their industry-related policies are aimed at capacity-building through technical assistance, training and workshops, and at creating a favourable business environment for SMEs.¹³

Multiple stakeholders acknowledged that since the start of the Syrian war efforts and funds have been mostly directed toward humanitarian assistance to refugees rather than the development of certain Lebanese sectors that desperately need support. At the London conference of February 2016, a revised version of the European Neighbourhood Policy (ENP) was announced, laying out the priorities shared by both parties; the policy was subsequently adopted in November 2016 through the Lebanon–EU Compact.¹⁴ The latter provides a clear framework for addressing the refugee crisis with the assistance of the EU and identifies the main challenges faced by Lebanese host communities. Areas of interest include the justice system, governance, social safety nets, sectorial development and diversification, refugees, vulnerable groups, infrastructure and productivity levels.

The socio-economic vision laid out by the ALI converges in many regards with the objectives stipulated in the Lebanon–EU Compact and the ENP Action Plan (EEAS and European Commission 2014):

- Infrastructure is paramount to the advancement of the industrial sector, although heavily depleted as a result of the high number of refugees who have entered the country.
- Improvement of the investment climate and business environment through the enforcement of rule of law and a comprehensive reform of the legislative framework pertaining to

13 For a detailed analysis of EU policies in Lebanon related to industry and trade, see Annex 2.

14 See European Commission website: *EU Neighbourhood Policy: Lebanon*, https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/countries/lebanon_en.

- business operation; a friendlier environment for SMEs is key to industry prosperity.
- Social development inclusive of all civil servants and stakeholders is essential to the establishment of an effective national dialogue and promotion of strong institutions. This creates communication and cooperation among economic sectors and increases confidence in the markets, which in turn reflects positively on industry.
 - Addressing the links between education and market requirements would improve the process of job searching thereby decreasing unemployment among youth and preventing the large-scale brain drain that Lebanon suffers from. One particular interviewee affiliated with the CCIA suggested the notion of employment insurance. This would be a paid grace period given to fresh graduates to find a job that matches their skills in Lebanon, through the provision of special guidance and counselling. This solution is aimed at decreasing the migration of young individuals by giving them incentives to stay in the country.
 - Improving transparency within public administrations could help curtail corruption that is hindering the efficiency of government agencies and causing mismanagement and waste.

Additionally, Taqa claims that SMEs require substantial support in distribution mechanisms and cost control. Also, clarifying tax exemptions on imports is necessary; for instance, despite receiving a certification exempting it from paying taxes on products imported, Taqa was not discharged from taxes as the products were delivered in a wrong-sized container.

Furthermore, the EU launched a twinning project in partnership with the MoET in 2004, entitled "Support to the Ministry of Economy & Trade – Quality Unit" in conformity with the AA and the subsequent Action Plan in order to improve the business climate and export potential of Lebanese firms. Among the priorities of the programme is the enhancement of quality infrastructure and competitiveness of Lebanese products through harmonization of trade regulations, compliance with international quality standards and reform of the legislative framework. These objectives are in line with the needs and requirements of the industry stakeholders (European Commission 2012). However, in the opinion of the GCLW, all agreements signed with the EU need to be re-evaluated to protect locally produced products and ensure fair and transparent plans to support Lebanon's industrial sector. For instance, in agro-industries, ISO-certified companies are required to meet almost unachievable conditions and standards to distribute products such as honey in Europe, whereas this is not the case for European products being imported into Lebanon. Additionally, agreements with Arab countries such as the Agreement to Facilitate and Develop Trade among Arab States and Euro-Mediterranean agreements which are based on shared trade should be reviewed to protect Lebanese goods, given the lack of support received by the government. Indeed, the percentage of annual total exports has decreased significantly, as claimed by the GCLW. Moreover, imported goods (such as agro-industrial, household appliances and furniture) are often cheaper than Lebanese-produced goods, thus Lebanese companies and producers are facing strong competition in the domestic market since there is no control on the borders to stop these goods from saturating the local market. The GoL should subsidize the cost of energy and taxes on imported raw materials to boost competitiveness of Lebanese companies and producers. Export subsidies should also be implemented, as per Robinson Agri.

When stakeholders (including incubators, SMEs and a national trade union) were asked about whether the EU, the Lebanese government and industrialists exhibit a real willingness and awareness about the actual problems met by SMEs, the General Confederation of Lebanese Workers and Taqa representatives claimed that these parties are aware of the existing problems

and challenges but are not actively engaging in addressing them. The Berytech representative believes that the government is seeking to move the sector forward but attributes the main problem to its lack of awareness of the different needs of big companies and SMEs. Multiple laws need to be updated to enable creating a business, promoting an SME and liquidating a company; schemes such as IDAL are not enough. Moreover, as per Berytech, the interventions introduced by the EU were beneficial, but were not adapted to the local context – although the EU has been conducting field assessments to tackle this issue. On the other hand, Robinson Agri, an SME in the agriculture sector, somewhat disagrees with the other stakeholders, declaring that the EU, the Lebanese government and industrialists are not aware of the real problems faced by SMEs and of their role in promoting their success. In fact, the Robinson Agri representative claims that in Lebanon, (i) agro-industrialists are able to be competitive in the export market given that the domestic currencies (US dollar and Lebanese pound) are weaker than the foreign currency (euro), making Lebanese products more affordable, (ii) there are innovative entrepreneurs who are not receiving the required support or visibility to promote their work and (iii) the climate for agriculture and agro-industry is ideal. In order to capitalize on these factors, support from international and local governmental organizations is required. Coordinated efforts between the EU, GoL, industrialists and SMEs are necessary to ensure success. When asked if coordination exists between these stakeholders, Berytech claimed that the EU might be coordinating policies with the GoL but efforts are not substantial as no EU funds have been invested in the GoL. The GCLW affirmed that coordination efforts do exist between the EU, GoL and industrialists but these efforts have not been fruitful yet as no solutions have been established; however, the Robinson Agri representative has not observed any of these coordination efforts.

Furthermore, the majority of SMEs in Lebanon do not yet belong to clusters, as corroborated by Kafalat, Berytech, Robinson Agri, GCLW and LLWB. Berytech is currently supporting one digital cluster (Beirut Creative Cluster) and is in the process of establishing an agro-food innovation cluster which will be launched by end of spring 2018. These two clusters were established to (i) combine and leverage resources, (ii) ensure that technical expertise is available, (iii) apply to bigger projects and (iv) improve the recruitment process. At this point, clusters do not facilitate access to finance but lobbying efforts are aimed at achieving this. Robinson Agri will be part of the agro-food cluster established by Berytech which will facilitate access to new opportunities, new international markets and finance in the future. Robinson Agri claims that clustering has not been adopted by SMEs as most companies in Lebanon are family-owned and not very innovative; they don't understand the concept of clusters and their potential value, especially firms focusing on short-term outputs. However, SMEs should be encouraged to form clusters to benefit from networking opportunities, exchange of know-how and experience, and exposure to financial accelerators, as per LLWB, and SMEs will benefit from greater discipline, access to finance and reduction in costs, among other economic advantages, according to Kafalat. Consequently, Kafalat is working on promoting clusters. However, Taqa believes that SMEs in the agriculture sector should not belong to clusters – since clusters only facilitate access to finance for some sectors such as the tech industry – but increased communication would be beneficial to the agriculture sector.

The middle actor, banking, does not differentiate between genders, however in some cases banks do require additional guarantees from women, which delays the process as women usually are not able to provide these guarantees. In response to this, Kafalat assures that women will not be treated differently and thus urges women to apply for loans through Kafalat

as the demand for loans among female-led SMEs is very low and the number of female-led SMEs in Lebanon is well below international standards. The CEO and founder of Taqa, a female, affirms that guarantees required from banks are challenging to provide, especially for women entrepreneurs, thereby leading most SMEs to turn to Kafalat. However, despite the low interest rates set on loans, Kafalat does not provide a line of credit, which is essential to new SMEs in the industrial sector. As a result, Taqa has resorted to investors to raise capital for the company. The LLWB believes that some banks are very traditional, thus obstructing women from accessing resources although regionally and internationally women have proven to respect their financial commitments, adding that the rate of default on loans by women is significantly less than for men – further substantiated by Kafalat. Similar to Kafalat, the LLWB believes that more women should step up. To this end, an Angel Investment Fund was established by the LLWB specifically to empower women to achieve their aspirations. Eligible women should be founders or owners of at least 25 per cent of a company. Despite raising awareness about the fund, LLWB has been struggling to locate women interested in benefiting from it. Women seem to believe that such funds will exploit their earnings, which is not the case. Moreover, Berytech is encouraging women to participate in agro-tech, with the aim of having women represent 20 per cent of co-founders (compared to the standard 10 per cent in the technology industry), so being a woman will help in securing these grants. Kafalat, on the other hand, does not have any conditions set to promote gender equality, as loan approvals are granted by banks which it does not have any influence over. The LLWB claims that the list of eligibility criteria and requirements set by Kafalat is extensive, time-consuming and challenging for start-ups to compile. However, the GCLW declares that Kafalat is valuable to SMEs as it facilitates their access to funding with low interest rates and does not consider education as a criterion for loan eligibility. Conversely, a university-level education is required in order to be eligible for a grant from Berytech.

3.2 PERCEPTION OF THE EFFECTIVENESS OF EUROPEAN POLICIES IN THE MEDITERRANEAN AREA

Interviewed stakeholders collectively agree on the EU's good intentions towards Lebanon and its genuine determination to support the country's economy and long-term development. They are also convinced that the EU's continued support through technical and financial assistance is specifically conducive to the advancement of the industrial sector. However, SMEs in the agro-industrial sector find that support from the EU has decreased in light of other focus areas; consequently, it is recommended that the EU continue supporting the industrial sector given its importance in Lebanon.

Stakeholders assess the effectiveness of EU policies in Lebanon with respect to the industrial sector, on the basis of their sustainability and the main beneficiaries. They claim that issues related to women and youth, who need assistance the most, have not been specifically addressed. Indeed, subsidized loans granted by the EU which allow companies and producers in the agro-industrial sector to benefit from low interest rates do not take gender into consideration, as per the knowledge of the Robinson Agri representative. Additionally, the Taqa representative finds USAID to be more active in terms of seeking out agro-industrialists to support their company's growth, especially women. Conversely, Berytech and the GCLW find that the EU is focused on promoting positive discrimination towards women and on empowering women economically. For instance, the EU is encouraging sectors to engage more women, by requiring SMEs to

employ a minimum share of women in order to receive funding from the EU, as claimed by the GCLW. However, the Robinson Agri co-founder, a female, disagrees with the aforementioned: she has not come across or received any EU support for being a female-led SME. The president of the LLWB, a female, claims that the EU consistently works with the same partners and does not explore newly developed associations or other entities, such as the LLWB. Indeed, the EU is reproached for not supporting newly established organizations that are promoting gender equality.

Additionally, the LLWB representative reproaches the EU for not allowing companies that have been granted EU funds to apply for other grants; Robinson Agri expresses how this is problematic as the EU is hindering the company from developing more than one aspect of its business. The ALI and the Chamber of Commerce also argued that often consultants benefit the most given the frequent lack of project implementation: consultants contracted by international organizations often offer advisory services prior to any concrete implementation. EU industry-related policies have not always been successful in achieving their target due to excessive bureaucracy and corruption within public agencies in Lebanon, lack of sustainability after the funding ceases, or misunderstanding of the fundamental structural and institutional organization of the country.

EU policies have particularly failed in export promotion; industrial exports have been decreasing in recent years thus increasing the trade deficit, which is mainly attributed to the inequitable trade agreement with the EU. Stakeholders in the industrial sector, including the Minister of Industry, mentioned some notable industries that are treated unfairly by being barred from exporting to European countries. Here, honey and dairy industries were specifically cited. Also, producers are expected to meet certain standards that they cannot comply with due to technical and financial barriers. These requirements pertain to rules of origin, quality certifications and product norms, which industrialists think are unreasonable given that some Lebanese factories are either already accredited by France or supervised by European firms; Candia is one of these. Nevertheless, heads of industries expressed a will to work with the EU in order to overcome export barriers by getting technical assistance and the recommended certifications that would generate optimal productivity along with better integration into the international market. Notably, they dismissed the idea of employing Syrian refugees as a condition for export-related derogations, citing an already high unemployment rate among Lebanese citizens.

Critics suggested that the EU tends to impose certain projects or reforms, which are not necessarily beneficial to the country. Some stakeholders such as Al-Wadi, Mounir Bissat Factories and Kafalat blamed the Lebanese government for failing to understand the needs of the sector, which in turn translated into ineffective, unnecessary or redundant projects being carried out by the EU. The main issue is the lack of cooperation and communication between decision-makers and stakeholders of the Lebanese industrial sector, which results in the implementation of irrelevant policy actions. The ILO, Berytech and ALI have made a point on creating a general committee in to facilitate the discussions between government representatives, NGOs and the EU in order to safeguard stakeholders' interests. According to ALI, industrialists and SMEs should be included in the committee. The Al-Wadi representative even recommend that the EU focus its efforts toward the private sector, as they believe the future of Lebanese industry depends on the resilience of SMEs and the export capacity of firms. The direct partnership between the EU and the private sector would bypass, and to a

certain extent curtail, inefficiencies and corruption within the government and ensure a better use of funds.

Another notable factor in the assessment of EU policies is the excessive evaluation phase that precedes the implementation of projects – which in many instances are not even carried out. Industrialists believe that studies should be conducted in such a way as to either answer specific questions that matter to them or help them better understand the market.

Moreover, projects often cease after a certain period of time due to discontinuation of funding or administrative change within the coordinating partner in Lebanon, whether a ministry or another public agency as claimed by Kafalat. Whenever a government official is replaced, which happens frequently due to political instability, the associated organizational structure and staff also change. New members then handle continuing projects, which is inefficient and eventually leads to the halt of project implementation.

A number of interviewees expressed a need for a clear assessment phase following the projects' execution or disbursement of funds, to prevent corruption. Some went further to suggest the assignment of a committee whose members are EU representatives in an effort to guarantee the effective implementation of projects.

3.3 GENDER PERSPECTIVE

According to the latest multi-indicator cluster survey conducted by the Central Administration of Statistics (CAS) in 2009, the rate of economic activity among women is 22.8 per cent compared with 72.8 per cent for men. As shown in Table 4, only 7.5 per cent of Lebanese female workers are employed in the industrial sector compared with 60.2 per cent in the services sector. More recently, as per the UNDP, the female labour force participation rate is 23.5 per cent compared to 70.3 per cent for males in Lebanon.¹⁵

Table 4 | Workers by economic sector and sex (%), 2009

Economic sector	Men and women	Men	Women
Agriculture	6.3	6.5	5.7
Industry	12.1	13.4	7.5
Construction	8.9	11.5	(*)
Trade	27	28.7	21.5
Transport and telecommunication	6.8	8.4	1.4
Services	36.9	29.9	60.2
Financial services	2	1.6	3.2
Total	100	100	100

Note: (*) = less than 25 cases.
Source: Tutelian (2012: 12).

¹⁵ See the UNDP in Lebanon website: *SDG Goal 5: Gender Equality*, <http://www.lb.undp.org/content/lebanon/en/home/sustainable-development-goals/goal-5-gender-equality.html>.

The low employment rate of Lebanese women is explained by the persistent patriarchal system that influences their self-confidence thereby translating into a low representation of women in unions and political activity. Currently, there is only one woman in the Council of Ministers and women occupy only 4 out of 128 parliamentary seats (Latif 2017: 5). In addition, several labour laws are prohibitive to the full participation of women in economic activity or do not recognize full equality between men and women in the workplace (NCLW 2014). Additionally, the Lebanese League for Women in Business representative claims that participation of women in the labour force is insufficient – particularly in the public sector – due to the corrupt system in Lebanon where only those with political connections are granted the top-level positions thereby demotivating educated and qualified women from joining the public sector. This also explains why there are so few women in the Council of Ministers.

Women face a multitude of hurdles to their participation in the industrial sector, in which they lack the required skills and face difficulty in accessing financing. According to IFC (2013), only 3 per cent of bank loans are given to women in Lebanon due to financial dependence that prevents them from having control over their assets and paying the required collateral (Muir et al. 2015: 66).

Arguably, women could thrive the most in industries that do not require a level of physical force; or in other terms, that are not capital-intensive and male-dominated, such as cosmetics, textile and pharmaceuticals. Women could reap higher potential gains in industrial research as well. As per the LLWB representative, the major challenge facing women entrepreneurs is financial, mainly caused by gender stereotypes which dictate that a woman's first priority should be taking care of her husband and children regardless of her employment status; consequently, women have greater difficulties in acquiring financial support. With regard to social security, only recently have women been able to get social security as independent workers – not through their husband. Additionally, in some areas across Lebanon, women are not allowed to work for religious and cultural reasons. Furthermore, maternity issues and sexual harassment are other challenges faced by working women. Maternity leaves are very short especially as compared to Europe (10 weeks vs. a minimum of 14 weeks), thus along with extending maternity leaves, it was recommended to include paternity leaves to encourage men to support their spouse. Moreover, laissez-faire attitudes towards sexual harassment, which is abundant, are very concerning. LLWB recommended that additional campaigns similar to the one organized by the American University of Beirut with the support of USAID be conducted across multiple sectors, including the private sector, to raise awareness of the problem.

Key stakeholders advocating for women's empowerment include the National Commission for Lebanese Women (NCLW) and the Ministry of Social Affairs as well as civil organizations, most prominently the Lebanese Women's Council (LWC). These players contribute to filling the gap left by the government regarding women's issues. The NCLW, with the support of the United Nations Populations Fund, drafted and adopted the National Strategy for Lebanese Women (2011–21) along with an Action Plan (2013–16) in an effort to improve the conditions of Lebanese women in collaboration with major stakeholders. The document aims at addressing major impediments to women's complete integration in economic activity and wellbeing by providing a clear strategy inclusive of all key players (UNFPA and NCLW 2015).

A number of initiatives have been implemented by civil and international organizations, in partnership with the private sector and public agencies, in order to address gender inequality

and empower women in the industrial sector:

- Fransa Bank, in collaboration with the NCLW, launched the *Najah* loan in 2011, which offers financing to micro-credits and small to medium-sized enterprises owned by women entrepreneurs.
- In 2014, NCLW and Al-Majmou'a coordinated on the project SEWA, which aims at providing women who aspire to open their own business with technical assistance.
- The comprehensive review by NCLW of laws that disfavour women in the workplace and hinder their participation in economic activity, such as maternity leave which is too short and inflexible when it comes to working hours thereby hindering the participation of women in the labour force or their progress within the company after giving birth, as per Berytech and LLWB.
- The EU provided an 800,000 euro grant to the NCLW in support of the project "Gender Equity and Empowerment of Women in Lebanon", whose objective is the promotion of gender equality in policymaking and advancement of women's status.

Achieving complete gender equality in Lebanon is a tedious and lengthy process that promises to bring huge economic benefits to the economy, mainly industry. The untapped potential of the Lebanese female labour force would substantially boost the Lebanese economy given that the female-to-male primary school enrolment ratio is 0.95 according to ILO, compared to the world median of 0.99 (Saliba et al. 2017: 15). Therefore, the GoL ought to focus its policies on the advancement of women's role in society with the assistance of the EU as this will also boost women's welfare in society. On that note, the LLWB has been taking active steps to replicate the Woman on Board initiative launched by the EU, to achieve more balanced representation of women on boards. Despite not having worked with the EU, the LLWB does not regard the EU as being efficient in addressing the needs of local NGOs and civic societies.

3.3.1 GENDER DISTRIBUTION IN INDUSTRIES AND IMPEDIMENTS TO ACCESS – INVOLVEMENT IN SUPPORT

Women in Lebanon face numerous social, political and economic impediments to their full and equitable participation in the workforce, primarily the business sector. There are non-financial barriers to women's participation in the labour force. Women do not possess the same rights as men, even though the Lebanese Constitution stipulates otherwise. From a social perspective, a society deeply entrenched in patriarchal values is hostile to women, who are not accorded the same confidence and treatment as their male counterparts. This translates into an unfair regulatory and institutional framework that promotes further regressive laws, thereby putting women at a disadvantage. Politically, women are not adequately represented, if at all; they occupy only 3.1 per cent of parliamentary seats and hold no high-level governmental positions (Avis 2017: 14). The aforementioned factors positioned Lebanon 135th out of 144 countries in the 2016 World Economic Forum's Global Gender Gap Report, in terms of women's rights (Avis 2017: 5).

Table 5 | Indicators of gender equality and women's empowerment

Gender Gap Index Rank (2016)	135/144
Gender Inequality Index (2015)	83/159
HDI Rank (2015)	76/188
Female seats in Parliament (%)	3.1
Female labour force participation rate (%)	23.5
Economic participation and opportunity (rank)	133/144
Educational attainment (rank)	108/144
Health and survival (rank)	102/144
Political empowerment (rank)	143/144

Source: Avis (2017: 3, 6).

A major impediment to women's career prospects is their role as caregivers. In the Middle East and North Africa (MENA) region, a woman is primarily devoted to her domestic responsibilities, which end up taking a toll on her professional ambitions. According to CAS's 2007 Household Living Conditions Survey, 29.8 per cent of surveyed women were in the labour force between the ages of 23 and 29, compared to 24.3 per cent for women aged 35 to 39 (Rahhal 2015).

Cultural norms compel females to take on the roles of wife, mother and caregiver at the expense of their career, although women are as educated as men (Rahhal 2015). Often, the reconciliation between work and personal life is hard, especially if the husband is unsupportive. According to CAS, the share of women amongst college graduates was 55 per cent compared to 45 per cent for men in 2012. Despite the same level of education between genders, women are underrepresented in the workforce and face a higher unemployment rate than men. Therefore, educational achievement is not the principal factor that prevents women from being as economically active as they would like to be; rather, the traditional role assigned to them by cultural values remains the reason for discriminatory practices at work (Rahhal 2015).

The gender distribution in industries is skewed to largely advantage men in Lebanon, especially in the fields of engineering and medicine (Rahhal 2015): according to the Lebanese Order of Physicians, only 2,652 out of 11,341 physicians are females. Roula El-Masri, a gender equality programme manager at ABAAD, which is a Resource Centre for Gender Equality, insists that the hiring process in Lebanon is discriminatory against women, who are mostly employed in services, public relations, advertising, education and nursing (Rahhal 2015). According to a report by the Collective for Research and Training on Development Action (CRTDA 2013: 23) in 2013 the share of women employed in the services sector, including health, tourism, trade, banking and education, was 63 per cent compared to 33 per cent for men. The majority of working women are concentrated in low-paying jobs, more specifically in the public sector; notably, 70 per cent of teachers are women (CRTDA 2013: 23). This skewed gender distribution can be observed in Table 6.

Table 6 | Distribution of workers by job category and sex (%), 2009

Job category	Men and women	Men	Women
Senior cadres and managers	14.1	16.3	6.5
Professionals	12.1	7.9	25.9
White collar jobs	6.3	4.6	12.3
Administrative workers	6.4	4.8	11.5
Workers in retail and services sectors	12.7	10.9	18.6
Workers in agriculture and fishing	5.3	5.4	5.2
Skilled labour	18.6	22.8	4.8
Vehicle and machinery drivers	8.4	10.9	(*)
Unskilled labour	9.8	8.4	14.5
Military Force	6.2	8.0	(*)
No answer	(*)	(*)	(*)
Total	100	100	100
Financial services	2	1.6	3.2

Note: (*) = less than 25 cases.

Source: Tutelian (2012: 14).

Women are mostly absent from leadership positions, particularly at the top management level, in politics and in unions (CRTDA 2013). Rana Salhab, a partner at Deloitte & Touche and an advocate for women's empowerment, emphasizes the biases involved in promotions: an equally qualified woman is perceived as being a risky investment given her domestic responsibilities and time constraints which prevent her from travelling or spending long hours at work. As a result, men are often the more convenient option for senior positions (Rahhal 2015). The absence of labour laws that ensure an equal representation of women across industries exacerbates the problem: if women have no seat at the decision-making table, whether in politics or business, it is difficult for them to raise their issues and find viable solutions. It is harder to follow through on legislation that advances women on the national level if they make up only 3.1 per cent of parliamentary seats, hold only one ministerial position in addition to having a male appointee as the Minister of Women's Affairs.

It has been suggested – following Lebanon's adherence, in 1997, to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) adopted by the United Nations – to implement a female quota, enabling women to hold high-level governmental positions (Hussein 2017). However, Lebanon still lags behind many countries in the MENA region as to the role of women in politics because the government has yet to take any step to engage women politically (Hussein 2017).

Ultimately, equality between genders happens through the empowerment of women at all levels. The traditional perception of the primary role of women, discriminatory labour laws and the legal system as a whole need revision, starting with the personal status laws, which impede women's ability to engage freely in public life (Rahhal 2015). Policies that support and encourage women's participation on the corporate and governmental levels would put the country on the right path and slowly shift the traditional attitude toward women to a more

inclusive one that would result in higher economic growth.

CONCLUSION

Addressing the challenges at hand requires the cooperation of leading players in the industrial sector along with international organizations and donors. The advancement of local industries is only possible if it is considered as part of a broader scheme of economic reform designed by the government with the EU's support. Based on the two rounds of interviews conducted with various stakeholders deeply involved in the Lebanese industrial sector, the following recommendations were formulated:

- Assist the Lebanese government in understanding key aspects of the economy, which would pave the way for concise and effective policy formulation and strategic planning. Data collection, analysis and dissemination allow for measured interventions. The availability of reliable reports and data on market trends and consumer behaviour, particularly in relation to the industrial sector, would facilitate the industrialists' management of their business. It would also create a friendlier environment for SMEs by enabling their owners to conduct feasibility studies, thereby providing them with an additional tool to obtain funding.
- Promote private–public partnership, which would generate a constructive dialogue between industrial firms and SMEs on one hand and the government and policymakers on the other. Industrialists, heads of enterprises, lobbyists and civil servants need to be involved in the decision-making process, especially regarding trade agreements.
- Work closely with the private sector through targeted policies. Considering the current political instability, the inefficient parliament incapable of passing recommended legislations and persistent corruption, attention should be redirected toward the private sector, mainly civil organizations, associations and firms in partnership with NGOs. Those are the stakeholders that need to be galvanized in the process of developing the Lebanese industrial sector.
- Follow up on projects by assigning an oversight committee that would ensure projects are implemented efficiently within a strict timeframe. Such a performance-driven approach would guarantee optimal usage of funds and resources.
- Assign special project directors who would be fixed during the whole implementation phase of EU projects, which would ensure their continuation.
- Promote women's empowerment and gender equality in the industrial sector by designing special targeted programmes and policies, aimed at elevating women's role in society.
- Support light industries that are less capital-intensive, such as cosmetics and pharmaceuticals, and that therefore present the largest source of job opportunities and potential for women.
- Focus on the provision of technical support to local firms, as stakeholders who received such assistance from the EU in the past benefitted the most.
- Improve labour skills through the modernization of vocational education and technical programmes based on market needs. Additionally, enhancing the perception of vocational programmes domestically would encourage individuals to enrol in those programmes, which would subsequently boost their chances in joining the workforce.
- Purchase the commodities given as aid to refugees from local industries. The goods provided to displaced Syrians should be made in Lebanon in an effort to encourage local production and benefit the industrial sector.
- Establish a proper regulatory framework to enable market entry of SMEs through a financial system which gives them access to financing. The business environment can also be

- improved by eliminating administrative impediments. Promote the concept of clusters and invest in R&D to foster innovation and SME growth and sustainability.
- Support SMEs with distribution mechanisms and cost control, in order to boost their production and export capabilities.
 - Update and enforce IPR laws as part of an incentive package to retain young graduates and attract foreign talent. In parallel, develop the industrial sector to enable it to absorb high-skilled labour and provide good working conditions.
 - Guide and support financial mediators in mainstreaming gender into their operations to facilitate women's access to funding.
 - Support newly established organizations which are promoting gender equality and gender mainstreaming.
 - Clarify the required certifications that would enable integration in the international market, and provide technical assistance to firms to meet these requirements.

ANNEX 1: A GENERAL OVERVIEW OF THE MAIN CHALLENGES AND THE NATIONAL STRATEGY IN LEBANON

1. CONTEXT INFORMATION

The industrial sector is a major economic sector in Lebanon. In 2013, it ranked third in its contribution to national output at 20 per cent, after the services (tourism in particular) and construction sectors (Chlouk 2016: 2). More recently, according to the national accounts, the industrial sector contributed 8 per cent to gross domestic product (GDP) in 2015. Controversially, the Ministry of Industry (Mol) estimated the industrial sector's contribution to GDP to be at 12 per cent. Assuming that both figures are accurate, the discrepancy between the two estimates suggests the presence of a large informal economy within this sector and perhaps some profits not being declared by firms (Chami 2017: 1).

The industrial sector consists mainly of small and medium enterprises, specialising in light-manufacturing, and comprises 15 sub-sectors, most importantly the food and beverages sector which holds 26 per cent of the total output produced by the industrial sector, followed by construction materials (metal and metal products) contributing 12 per cent, the non-metallic mineral products (11.7 per cent), the electrical machinery and devices (11 per cent) and finally the furniture and wood products.¹⁶

The majority of the industrial enterprises are concentrated in Mount Lebanon (49.8 per cent) followed by Bekaa (18.4 per cent) and the North (12.8 per cent) (Mol 2007: 14). The latest figure from the Mol indicates that, in 2017, the number of licensed factories reached 4,688, an increase from the 2007 figure of 4,033 (Chami 2017: 1). After the public sector, the industrial sector is the second largest employer in Lebanon, employing 25 per cent of the labour force.¹⁷ Half of the established enterprises are estimated to employ less than 10 employees while less than 10 per cent of enterprises employ more than 100 employees (Chami 2017: 1).

Nowadays, Lebanon is struggling to cope with the conflicts arising in the Middle East along with concurrent political tensions due to the Arab Spring that started in 2010. The Lebanese economy has suffered tremendously during the last eight years due to the civil war in neighbouring Syria, further exacerbated by weak institutions and internal political divides; indeed, referring to the World Governance Indicators (WGI), Lebanon has seen its lowest rank value in 2016 in five dimensions of governance, as seen in Table 1.1. This resulted in a decrease in foreign direct investments and general loss of confidence in the Lebanese market. Indeed, Lebanon's main growth drivers, services and tourism, which account for 60 per cent of GDP approximately,¹⁸ were largely affected by the crisis, thereby hindering Lebanon's economic growth.

The unprecedented influx and its indirect costs threaten to negatively impact the economy at a quicker pace. The Gross Domestic Product (GDP) growth contracted

¹⁶ See IDAL website: *Industry*, http://investinlebanon.gov.lb/en/sectors_in_focus/industry.

¹⁷ Ibid.

¹⁸ See the Lebanese Embassy in Washington website: *The Economy*, <http://www.lebanonembassyus.org/the-economy.html>.

from 7% in 2010, to 1.5% in 2011, 1% in 2015 [...]. Stifled growth rates shadowed a gross public debt that rose by almost 16.5% one year into the crisis, to hit a projected 144% of GDP by 2016. Government spending on public services dilated while revenues contracted, swelling deficits by 16.44% to 8.5% of GDP by 2012; currently, public deficits are back on an upward trajectory estimated at 7.9% of GDP by end 2016 (Chbeir 2017: 1)

Amid the challenging local and regional situation, a gradual decline has been recorded in exports of industrial products in the past five years. Prior to 2006, industrial exports were growing at a certain extent where manufacturing value-added grew at a 3 per cent rate. After 2012, a downward trend in exports began from an all-time high of 3.75 billion US dollars in 2012 to 2.53 billion US dollars in 2016 (the lowest rate since 2007). Moreover, the import-to-export ratio increased from 4.5 in 2012 to 5.9 in 2015 (Chlouk 2016: 2). The primary export destinations in 2016 were Saudi Arabia, Syria, and the United Arab Emirates at 11.4 per cent, 11.2 per cent and 9.3 per cent of total exports respectively (Chami 2017: 2). The decline in trade is attributed to the existing situation in Syria which has limited trade routes.

Additionally, the high influx of refugees into the country had adversarial effects on the economy through the tremendous pressure it exercised on the infrastructure, the job market and most importantly the domestic political climate (ILO 2014).

In a 2013 national poll addressing Lebanese perceptions toward the Syrian crisis, 52% of the interviewees believed that displaced Syrians are threatening national stability and security, a solid 98% presumed Syrian refugees are taking jobs from the local population, and ~50% thought that the refugees are benefiting from financial aid in an unfair manner. [...] Of the countries affected by the influx, Lebanon has been the mostly affected in terms of political and security environment as the country has been divided into two groups: those who support the opposition in Syria and those who support Assad. As a result, a series of 29 suicide bombings and assassinations occurred between October 2012 and November 2015 leading to the death of 205 individuals and injuring 1,796 others; the vast majority of victims were civilians. (Cherri et al. 2016: 169)

Furthermore, most stakeholders interviewed expressed that a grim outlook awaits the Industrial sector in Lebanon unless the Syrian war comes to an end and displaced Syrian refugees return to their home country.

Table 1.1 | Worldwide governance indicators: Lebanon, 2002–2017 (percentile rank (0-100))

Year	Political stability & absence of violence/terrorism	Government effectiveness	Regulatory quality	Rule of law	Control of corruption
2002	31.7	46.9	41.8	44.6	38.4
2003	30.2	50.0	51.5	42.1	30.3
2004	23.3	47.8	50.7	44.0	28.3
2005	18.4	48.5	49.5	43.5	37.6
2006	6.3	45.9	47.5	30.6	18.5
2007	3.4	44.7	46.6	28.7	19.4
2008	4.8	41.3	46.6	28.8	20.9
2009	8.5	39.7	52.2	28.9	21.5
2010	7.1	45.0	53.6	29.4	20.0
2011	5.7	46.0	51.7	29.6	19.4
2012	6.2	44.1	47.9	27.2	19.4
2013	6.6	42.7	49.3	25.8	19.4
2014	7.1	40.9	45.7	24.5	13.9
2015	7.1	37.0	43.8	21.2	19.2
2016	8.1	35.1	40.9	19.2	13.9
2017	8.6	33.2	40.9	21.2	14.9

Source: World Bank: *Worldwide Governance Indicators, Time Series View*, <http://info.worldbank.org/governance/WGI/#reports>.

2. CHALLENGES AND NATIONAL STRATEGY

Lebanese industrialists face a number of challenges that have been disproportionately addressed on the national level.

INADEQUATE INFRASTRUCTURE

Inadequate infrastructure hinders transportation and communication within Lebanon. Roads are not suitable for the transportation of heavy material due to traffic, time spent on the road and poor urban planning (Chlouk 2016). Furthermore, due to lack of investment and inept spending, the road infrastructure – consisting of 21,705 km of roads – is in poor condition in Lebanon. “The main (or national) road network consists of about 6,380 km of mostly paved roads”, the remaining 15,325 km are other local roads (World Bank 2017b: 12). Given the lack of data, the Ministry of Public Works and Transport estimates that 35 per cent of the main road network is in poor condition whereas only 15 per cent remains in good condition (World Bank 2017b: 12). Indeed, “The condition of the road network is hindering local economic development particularly in rural and lagging regions where the condition of the main network is worse than the national average” (World Bank 2017b: 12). Additionally, the absence of a proper telecommunication structure that ensures fast and efficient Internet connection and communication only exacerbates the problem.

The Government of Lebanon (GoL) has received funding from international donors, organizations and financial institutions for the improvement of infrastructure, mainly transportation, energy, water and wastewater, through the Council for Development and Reconstruction (CDR). Among the donors are the Italian government, the Islamic Development Bank, the World Bank, the Kuwaiti Fund for Arab Economic Development (KFAED) and the European Investment Bank (EIB). The majority of projects were not implemented or completed due to delays in getting approval from concerned parties or administrative impediments resulting from inefficiencies within public agencies (Abdul Rahim 2015).

Furthermore, the Ministry of Telecommunications (MoT) has recently announced its Lebanon 2020 Digital Telecom Vision, which aims to improve Internet speed by operating already existing fibre optics throughout the country. This plan is the first step towards revamping the telecom infrastructure to address the growing demand of IT services (IDAL 2016b).

COST OF LAND

Lebanon is a small country where land is already scarce and costly; the lack of industrial zones makes it harder on factory owners to expand their business and newcomers to set up an industrial firm.

In order to tackle this problem, the Ministry of Industry has begun working on a project that aims at creating three new industrial zones in Baalbek, Tourbul-Qosaya and Jleilyeh in partnership with the United Nations Industrial Development Organization (UNIDO) as part of Lebanon's UNIDO Country Programme for the period 2015-2018 (Ghanem 2016). The project requires 85 million US dollars in funding and is estimated to generate a total of 29,190 jobs. The Ministry is cooperating with the Union of Municipalities to identify and reach interested donors to fund the project, which would benefit industrialists allowing them to sign long-term leases at a low cost, while contributing to the development of rural areas through the creation of industrial hubs in the construction, agro-food and creative industries.

COST OF ENERGY

Energy is a major source of distress for industrialists: manufacturing firms suffer from 300 hours of electricity disruption per month, on average (World Bank 2016: 35). According to Fady Gemayel, the president of the Association of Lebanese Industrialists (ALI), the cost of energy makes up approximately 5.7 per cent of the average cost price of an industrial firm; going up to 35 per cent for energy intensive industries like plastic, steel and glass (Gemayel 2016). One interviewed stakeholder working in the steel industry complained about the burden of energy costs. According to him, it is cheaper to use the factory's private generators constantly rather than use the power supplied by the government. Even a major agro-food industrialist, Al-Wadi, stressed the high cost of energy. Moreover, the main challenge faced by Robinson Agri is the cost of energy as there are no governmental subsidies for fuel and electricity which are essential for their business. Electricité du Liban (EDL), the national electricity producer, supplies around 61 per cent of total electricity consumption per year, leaving a gap of 39 per cent for private unregulated generators to provide (AEMS 2017). Hence, most companies rely on their own source of electricity to ensure continuous power, which narrows down considerably their profit margin and hampers their productivity.

Additionally, the influx of Syrian refugees into the country has put considerable pressure on the energy infrastructure, thereby exacerbating the electricity crisis. Indeed, Syrian refugees in Lebanon require 480 megawatt of power – over 22 per cent of total electricity produced –, costing the Lebanese treasury approximately 330 million US dollars (AEMS 2017: 3).

The GoL has taken several steps to address the dire conditions of depleting power infrastructure. Most recently, in March 2017, the Cabinet approved a long-term plan aimed at increasing electricity production. It involves the installation of new power plants and the lease of floating power stations in an effort to add 272 megawatt nationally.¹⁹ Furthermore, the Ministry of Energy and Water (MoEW) has put forward a comprehensive plan spanning the period of 2016-2020 aiming at producing 12 per cent of total electricity and meeting heating demands projected in 2020 through renewable energy projects (LCEC 2016). The MoEW's goal is to provide by 2020, 2.1 per cent of total electricity consumption through wind energy, 3.2 per cent through hydro resources, 4.2 per cent through solar power and 2.5 per cent through biomass. Investment in sustainable energy would increase energy production, while reaffirming Lebanon's commitment to combat climate change (LCEC 2016).

CHALLENGES IN THE LABOUR MARKET

Cost of production includes the relatively steep price of national labour compared to non-nationals'. Many stakeholders complained about the high cost of Lebanese labour compared to other Arab countries and suggested that the local industry is losing competitive advantage given the higher cost it has to bear. Additionally, the influx of Syrian unskilled labour to Lebanon has imposed an increased burden or threat on Lebanese workers, specifically in the fields of construction and agriculture, as Syrian workers are willing to work under arduous working conditions for a lower salary and without any social security benefits. This significant increase in cheap labour supply has put additional strain on jobs thereby reducing employment prospects for Lebanese workers (Chbeir 2017).

Table 1.2 | Distribution of employed by sector, 2009 (%)

Economic activity	Labour force
Agriculture	6.3
Services	36.9
Financial services	2
Trade	27
Manufacturing/Industry	12.1
Construction	8.9
Transport and telecommunication	6.8

Source: UNICEF and CAS (2011: 75).

¹⁹ "Lebanon's Cabinet Approves 'Initial' Electricity Reform Plan", in *An-Nahar*, 28 March 2017, <https://en.annahar.com/article/561077>.

One must consider the informal sector as the wage earners in this sector represent 20 per cent of total employees in Lebanon (World Bank 2013b); these individuals are vulnerable given that they lack access to social insurance and are unprotected by labour regulations (ACTED 2014). A more recent study published in February 2017 by the Ministry of Finance (MoF) and the UNDP, found that 50 per cent of the labour force is employed in the informal sector – however it should be noted that a large share of self-employed individuals and non-declared employees in the private sector were excluded from the study (Saliba et al. 2017: 4). As of July 2017, around one million Syrian refugees were registered with the United Nations High Commissioner for Refugees (UNHCR), equivalent to one-quarter of the Lebanese population. The aforementioned has contributed to the growth of the informal sector, according to a survey conducted by the International Labour Organization (ILO) in 2014, 92 per cent of working Syrians in Lebanon are employed informally (Errighi and Griesse 2016: 18). The survey also found that on average, Syrians accept a wage of 418,000 Lebanese pounds, which is significantly lower than the minimum wage of Lebanese nationals of 675,000 pounds, while working for longer hours in dire conditions (Errighi and Griesse 2016: 20), implying that the presence of Syrian refugees has worsened the situation of Lebanese workers in the industrial sector among others.

Under the current law, Syrian workers are not fully covered by the National Social Security Fund (NSSF) and require a work permit which is granted only when certain conditions are met: (i) a sponsor is required, and (ii) their employer has to prove the inability to find a Lebanese worker for the job, aside from additional "bureaucratic and financial hurdles" if the job is not within construction, agriculture and cleaning services (Errighi and Griesse 2016: 11).

The consequences of such informality coupled with the lower cost of Syrian labour compared with Lebanese labour in low-skill sectors, has exercised a downward pressure on wages and contributed to Lebanese workers being undercut (Errighi and Griesse 2016: 19). Since 2011, the number of unemployed, unskilled Lebanese aged 15-24 has increased by 50 per cent (Errighi and Griesse 2016: 19). Therefore, local businesses find it more profitable to hire Syrians as opposed to Lebanese in low paying sectors.

Many sectors especially construction, manufacturing and agriculture, followed by household work are employing the largest proportion of Syrians thereby benefitting from their cheap labour, which is harming Lebanese workers and creating hostility between the Syrian workers and affected host communities. Indeed,

informally employed low-skilled refugee workers are perfect substitutes of low-skilled local employees, so the intensified competition slashed wages profoundly. Both refugees and locals competed intensely on the same low-skilled jobs partly because they share the same educational level and skills. (Chbeir 2017: 2)

Furthermore, the situation has created tensions amongst heads of enterprises and Lebanese workers who accuse the former of greediness (ILO 2014). It has also been suggested that the increase in the demand for low-skilled workers has shifting the sectorial distribution of employment, which translates into higher growth for low productivity sectors as compared to some export oriented manufacturing industries, agribusiness and financial services sector (Errighi and Griesse 2016: 19).

The president of the General Confederation of Lebanese Workers (CGTL) has insisted that the status of Lebanese workers will deteriorate unless the government interferes to protect them.

Recent apprehension has prompted the government to take action by limiting the number of issued work permits for Syrians. In 2015, the GoL has issued a document stating that Syrians who wish to renew their residency have to sign a pledge not to work (Errighi and Griesse 2016: 11).

Moreover, the General Director of the Ministry of Industry, claimed that local industries have taken advantage of the recent refugee crisis and thus should not be complaining about the high cost of national labour. He added that the cost of national labour cannot be reduced as the parliament recently approved a new salary scale that raises the minimum wage from 333 to 450 US dollars per month in both private and public sectors, which further increases cost of production.

FOREIGN AND LOCAL COMPETITION

The Lebanese industry faces tough local and foreign competition due to illegal imports mainly through Syria, low or zero customs on some imports from Europe, lack of efficient distribution networks to local and international markets and the negative perception that Lebanese production is not up to standards (CCIA 2011: 7–8).

According to the Ministry of Industry and ALI, around 388 industrial firms shut down between 2011 and 2015 due to illicit trafficking of commodities through Syria and the relocation of firms from Syria. Often informal, these companies do not abide by minimum wage requirements and regulations, and as a result have lower operating costs than formal businesses, which is raising competition and driving local industries out of the market – 36.9 per cent of firms identify practices of the informal sector competitors as a major constraint (World Bank 2013a).

Additionally, factories affiliated with international brands closed their offices in Lebanon during that period such as Procter & Gamble, Chiclets and Cadbury to name a few, due to unstable security situation, uncertainty and political unease (Gemayel 2014). In fact, as per the Enterprise Survey conducted by the World Bank in 2013, 58 per cent of firms chose political instability as the biggest obstacle to their business, followed by electricity (11 per cent) and corruption (6.7 per cent) (World Bank 2013a). The departure of these factories resulted in loss of technology transfer to local industries, fewer job opportunities in addition to lower competition and exports.

UNFRIENDLY BUSINESS ENVIRONMENT

The business environment in Lebanon is unattractive to foreign and local investments, which hinders the advancement of SMEs. It suffers from "red tape, corruption, arbitrary licensing decisions, complex customs procedures, high taxes, tariffs and fees, archaic legislation and weak intellectual property rights" (Abou Jaoude 2015: 2). Respectively, 61 per cent of firms identified corruption as a major constraint, almost 26 per cent of firms identified customs and trade regulations as a major constraint and 27 per cent identified tax rates as a major constraint to their business (World Bank 2013a).

Furthermore, it is rather difficult to operate a business in an environment that favours big corporations, and is hostile to small and medium enterprises (SMEs), which make up 90 per cent of businesses in the country (MoET 2014a: 78). This is the result of problematic financing and limited access to subsidized loans by SMEs. Commercial banks are risk averse, they require a considerable amount of collateral in exchange of an expensive credit; high interest rates prevent small enterprises from borrowing. The growing public debt hit 74.07 billion US dollars in December 2017 and the total debt to GDP ratio reached 149 per cent by 2017 (MoF 2018). These figures position Lebanon as the fourth most indebted country in the World according to the CIA World Factbook (Credit Libanais 2016: 4). The public debt is an additional factor that led to a crowding out effect of the private sector. Commercial banks are financing Lebanon's gross public debt instead of giving out loans to investors and creating job opportunities (Kafalat). Furthermore, out-dated laws and regulations hinder economic activity and discourage investors; insolvency law is an example. The country has weak intellectual property rights (IPR) as well, which prevents investment in innovative sectors and high tech industries (Berytech).

Lebanon has implemented an "SME Strategy 2020" – launched on 16 December 2014 – aimed at improving the business environment by catering to the needs of small industries and promoting innovation. However, developing the start-up ecosystem is a lengthy process that requires the coordination of various actors. The government has taken several initiatives in partnership with the private sector and international organizations in an effort to develop SMEs and entrepreneurship as key factors in achieving sustainable economic growth (MoET 2014, El Khoury 2014):

1. The Central Bank of Lebanon, Banque du Liban (BDL), has created incentive loans in support of SMEs by stimulating private sector investments. A successful project, BDL circular 331, was launched in 2014, by which the bank injects 400 million US dollars into the enterprise market to promote a knowledge driven economy, retain young graduates and create job opportunities. BDL would guarantee 75 per cent of the banks' investments in start-ups.
2. Support microcredit institutions as Kafalat, Vitas and AL-Majmou'a whose mission is to provide financing and assistance programmes to small businesses through credit guarantees.
3. Support institutions such as BADER and ENDEAVOR that offer business development services, networking and coaching.
4. BDL has introduced incentives through exemptions from reserve requirements to banks in the form of "either deductions of new loans from bank liabilities subject to reserve requirements or reductions of the reserve requirements by part of the amount of new loans" (World Bank and IMF 2016: 13).
5. BDL supports SMEs in some sectors of the economy of which tourism, industry and agriculture through the provision of subsidies on lending rates to commercial banks (MoET 2014).
6. The Ministry of Finance received a grant of 30 million US dollars in 2013 from the World Bank to support innovation in Lebanese SMEs through Kafalat.
7. Improve the Business Environment in Lebanon (IBEL), launched in 2010, which aims at addressing and reforming the legislative and regulatory framework of SMEs by supporting them in starting/closing a business and securing loans/credit (Bitar and Dandache 2013).
8. The parliament approved the Public Private Partnership Law in July 2017, which is a key driving force for the economy as it allows for a close cooperation between the government and private companies (Fransa Invest Bank 2017).

LIMITED ACCESS TO EXPORT MARKETS

Access to export markets is a top priority for industrialists. They collectively agree that increasing exports is crucial to the success of the Lebanese industrial sector as the local market is small and marked by domestic political instability and insecurity. The value of the industrial sector has been in constant decline from 2011 to 2015, falling by approximately 16 per cent.²⁰ In 2017, exports reached 2.8 billion US dollars, the majority of exports (around 21 per cent) consisted of pearls, precious stones and metals, followed by food and beverages (16 per cent), metal products (12 per cent), chemical products (11 per cent), machinery and electrical equipment (11 per cent) and vegetable products (6 per cent).²¹ Concurrently, the trade deficit has been widening since 2003, reaching its peak in 2017 at 20.3 billion US dollars.

Access to export markets is limited due to lack of export promotion, in addition to failure to comply with quality standards and product norms imposed by recipient countries. Moreover, Fady Gemayel, president of ALI, insists that despite the cease of Syrian dumping practices, the industrial sector in Lebanon has been particularly harmed by the neighbouring conflict due to the obstruction of routes essential to the transportation of commodities. As a result, exporters are compelled to use alternative methods of transportation, which are more costly (Gemayel 2016).

According to the Ministry of Economy and Trade (MoET), Lebanon has increased its trade activity regionally and internationally in an effort to promote further trade liberalization through the signing of several trade agreements such as the Association Agreement (AA) with the EU in 2002, the Greater Arab Free Trade Area (GAFTA) in 1998 and the European Free Trade Association (EFTA) in 2004. GAFTA was launched in 2005 between 17 Arab countries. The EFTA, signed in 2004 is a mutual cooperation between Lebanon on one hand and Iceland, Norway, Switzerland and Liechtenstein on the other. The agreements have a common goal, which is the establishment of free trade areas between the signatories along with the total elimination of trade and non-trade barriers. Lebanon has also signed a multitude of bilateral agreements with many Arab countries.

LACK OF APPROPRIATE DATA AND STRATEGIC PLANNING

Finally, Lebanon suffers from a shortage of macroeconomic data, which renders market analysis a difficult task, thereby limiting the understanding of underlying problems and the ability of designing appropriate policies to address these problems. The lack of reliable statistics and numbers prohibits the implementation of policy actions by the government and makes it harder for industrialists to support their claims and submit their demands to the relevant authority. This lack of data generates a lack of production management and strategy implementation by each individual firm. The unavailability of proper information regarding prices, consumer behaviour and market trends hinders the firm's ability to operate optimally by reducing cost of production and engaging in strategic practices that would reap higher benefits for industries. Marketing and financing are crucial aspects of every business plan; they

20 See ALI website: *ALI Industrial Indicators*, <http://www.ali.org.lb/node/14255>.

21 See IDAL website: *Lebanon in Figures: Trade Performance*, http://investinlebanon.gov.lb/en/lebanon_at_a_glance/lebanon_in_figures/trade_performance.

rely on market studies, which are non-existent in Lebanon (Nacouzi 2004).

It should be noted that this deficiency in data has not been addressed on a national level. However, the Ministry of Industry, with the support of UNIDO, has formulated its 2025 vision for the industrial sector. It represents a strategic comprehensive approach to the sustainable development of the Lebanese Industry. The proposal is intended to be a roadmap to achieve long-term advancement of industries within a broader policy scheme (Mol 2015).

The Minister of Industry stated that the plan would reduce the trade deficit from 15 billion to 11 billion US dollars through a decrease of imports from 18 billion to 16 billion US dollars and an increase in exports (Alieh 2016).

Generally, there is a consensus among stakeholders interviewed that Lebanon has substantial potential to develop its industrial sector if efforts are invested in the right places. The country's aptitude stems from its talented and educated youth, the uniqueness of its diaspora comprised of a high proportion of senior executives and entrepreneurs as well as its strategic geographical location. Indeed, Lebanon, a country with considerable individual initiatives and an entrepreneurial spirit, requires further support from the government to thrive.

ANNEX 2: A GENERAL ASSESSMENT OF EUROPEAN POLICIES

1. GENERAL OVERVIEW OF LEBANON-EU TRADE AGREEMENTS AND PARTNERSHIP

Lebanon has been part of the Euro-Mediterranean Partnership (EMP), also known as the Barcelona Process, since its launch in 1995. The agreement links the European Union to its 12 Mediterranean partners, Jordan, Israel, Morocco, Tunisia, Egypt, Syria, Turkey, Cyprus, Malta, Algeria, the Palestinian Authority and Lebanon. The EU initiated it in an effort to strengthen its economic ties with the Arab world by focusing its activities on politics and security, economics and finance and social and cultural exchanges (Suzan 2002).

Later in 2002, Lebanon signed the (AA) with the EU,²² which lays out a set of trade related principles and objectives in an effort to create a bilateral free trade area based on a well-defined regulatory and institutional framework and mutual cooperation. The European Neighbourhood Policy (ENP) came as a result of a Ministerial Declaration by the Lebanese government in 2005 consisting of a set of economic and political reforms that would be executed through the Action Plan, with the EU's assistance. Thus, the EU-Lebanon Action Plan, covering a 5-year time frame served as a roadmap to help fulfil the requirements stipulated in the AA. Under the agreement, Lebanon exports its industrial products as well as some agricultural products to the EU free of tariffs (European Commission 2007). The country also benefits from financial and technical assistance from the EU through the *Mesures d'Accompagnement* (MEDA) programme and the New European Neighbourhood Instrument (ENI) (UNEP 2006: 13).

The EMP engages both the EU and Lebanon to cooperate closely on many fronts in order to ease the country's transition to full trade liberalization. The partnership is established on three main pillars: "political and security, economic and financial, social and cultural" (MoET 2005: 1). Besides trade liberalization, the collaboration aims at ensuring peace, stability and better working conditions especially for women, as well as the enhancement of democratic values.

The signing of the Interim Agreement in 2002 allowed for the immediate implementation of trade related provisions stipulated under the AA, of which the gradual elimination of tariffs on Lebanese exports within a period of five years except "cut flowers and flower buds, sugar beet and chemical sucrose, and wine of fresh grapes" (MoET 2006: 26).

Specifically, Lebanon offered no reduction on olive oil (tariff stays at 70 per cent) and for other oils derived from olives (tariffs stay at 15 per cent). Other highly protected items (where the original tariff was 70 per cent) retained the minimum excise duty with a reduction in the ad-valorem tariff by only 20 per cent (e.g., meat, fruits) and 30 per cent (e.g., milk, fresh cheese). (MoET 2006: 26)

22 Euro-Mediterranean Agreement Establishing an Association between the European Community and Its Members States, of the One Part, and the Republic of Lebanon, of the Other Part, 2002. <http://trade.ec.europa.eu/doclib/html/124244.htm>.

Following the Interim Agreement that went into force in 2003, Lebanon has embarked on a set of institutional and legislative reforms in an effort to modernize its production capacities, meet international quality standards and improve administrative mechanisms in order to facilitate the country's access to the international free market. These adjustments would enhance considerably Lebanon's chances of compliance to WTO, which the EU strongly supports (MoET 2005: 3).

2. NATIONAL INDUSTRY AND TRADE RELATED EU POLICIES

The EU executed a number of successful projects in collaboration with the Lebanese government related to export promotion. Specifically, the EU has been a valuable catalyst for reform in the area of quality infrastructure through the provision of technical expertise to industrial firms. A particular success story mentioned frequently by interviewees is the Quality Programme, QUALEB, funded by the EU (MoET 2010: 3). It was instituted in 2004 through the Ministry of Industry in an effort to improve trade activity by conforming to international quality standards and technical regulations as stipulated under WTO's Agreement on Technical Barriers to Trade (TBT), focusing on the agro-food sector. The programme provides a set of initiatives to private firms such as "the Lebanese Excellence Award, the ISO certification project, intensive training modules, consultancy services through highly qualified EU and local experts" (MoET 2010: 6). The programme also comprises a set of legal reforms pertaining to the national quality framework; two laws have been drafted and sent to the parliament in 2010 for approval and enactment, the Technical Regulations and Conformity Assessment Procedures Draft Law and, the Standardization Draft Law (MoET 2010: 2-4).

Most stakeholders mentioned that the goal of total trade liberalization between Lebanon and the EU has not been necessarily favourable to the country as much as it was to the EU despite the asymmetric tariff elimination. Lebanon has not been able to benefit optimally from EU policies, particularly the industrial sector, because of domestic impediments to production linked to high costs, inadequate investment climate due to instability in neighbouring countries and lack of a real effort by the government to institute change.

First, many recommended legislations that were revised or formulated by ministries, NGOs and the private sector never went through parliament for approval. Among such laws are the Intellectual Property Rights' (IPRs) law, the competition law, updated bankruptcy law, updated Code of Commerce, law on Secured Finance Transactions and the development of Capital Markets along with the Beirut Stock Exchange. The absence of IPRs hinders Lebanon's potential to attract FDIs and mitigates the country's efforts to join the WTO.

Second, the benefits of progressive tariff elimination were not fully reaped. The trade agreement with the EU, which went into force in 2003, boosted Lebanese exports as the total value of exports doubled from 2003 to 2015 (Chami 2017: 3). However, during the same period, the volume of European imports more than doubled – from 3.28 billion to 7.59 billion US dollars –, which created foreign competition that, Lebanese production cannot endure (Chami 2017: 3). According to the General Director of the Ministry of Industry, trade agreements often do not respect the principal of reciprocity, which disadvantages developing economies. Most importantly, local industries still face difficulty in accessing markets abroad as a result of weak quality infrastructure and the slow harmonization process of some trade regulations (European Commission 2011).

3. REGIONAL INDUSTRY AND TRADE RELATED EU POLICIES

The main objective of the Barcelona Process was the establishment of a free trade area by 2010 between the EU and the Southern Mediterranean countries (SMCs) by virtue of large-scale economic and political reforms of the institutional and regulatory frameworks. The common objective of trade liberalization is contingent upon the progressive elimination of tariff and non-tariff barriers between the EU and each of its partners (Miller and Mishrif 2005) and resorting to non-tariff measures which are policy measures that have the ability to affect international trade of goods in terms of quantities, prices or both. These measures include sanitary and phytosanitary measures better known as SPS, pre-shipment inspection and technical barriers to trade (TBT) among others. SPS imposes restrictions on substances in order to ensure food safety and prevent certain pests' infestations or diseases, to protect human and animal life. Restrictions include limiting the use of hormones in certain food substances. TBT refers to the standard requirements and quality measures imposed to protect the environment, including certifications and testing as part of the conformity-assessment measures (UNCTAD 2015). The EU signed an AA with each country under the terms of the Barcelona process, consisting of a set of political, economic and legislative reforms to be implemented in the context of domestic, regional and international trade liberalization. Despite having a similar long-term ambition, the Association Agreements are tailored to the needs of each country and the uniqueness of its economic model.

Moreover, embedded in the EMP is the notion of South-South economic cooperation that would facilitate the development of the region into a single integrated market, particularly regarding rules of origin. The accomplishment of that goal rests on the capacity of Arab states to harmonize their approach to trade activities and align their common interests. This has translated into a number of trade agreements amongst SMCs, of which the GAFTA, and the Agadir Agreement.²³

The Agadir Agreement is a free trade agreement (FTA) between Jordan, Tunisia, Morocco and Egypt signed in 2004. It would eventually include other Arab Mediterranean countries and the EU. Aside from the major agreements, a multitude of bilateral FTAs have been signed between the SEMs to further promote South-South partnership. However, intra-regional trade remains limited despite the EU's assistance and efforts by individual countries to establish FTAs: the EU is amongst the most integrated regions in the world with 72 per cent of internal trade, whereas the inter-Arab trade stands at 10 per cent to 12 per cent, which makes it the world's least integrated region (Khader 2013: 11). On that note, countries in the MENA region have not succeeded in attaining their full economic potential due to trade barriers (including high trade costs and poor transport-related infrastructure), lack of diversification of economies and deficiency of investment incentives (Hoekman 2016).

The Barcelona Process has failed to establish a free trade area by 2010, among its signatories. The process was further delayed due to political unease stemming from the Arab Spring that surged in Libya, Tunisia, Egypt and Syria in 2010. It destabilized the whole region, which was already economically vulnerable.

23 See the European Commission website, *Trade: Euro-Mediterranean Partnership*, <http://ec.europa.eu/trade/policy/countries-and-regions/regions/euro-mediterranean-partnership>.

Furthermore, the bilateral AA signed between the EU and each SMC, has partly disadvantaged the Arab states as it allowed for a powerful economic block by the EU to negotiate with each individual country. The EU's approach in that regard put it in a position of power and allowed it to impose certain conditions that Arab states would not have accepted had it negotiated as a single regional block (Miller and Mishrif 2005).

Arguably, SMCs lost the preferential treatment they enjoyed prior to the Barcelona Process due to new concepts "such as nondiscrimination and reciprocity" (Miller and Mishrif 2005). As a result, in many cases they have not reaped the benefits intended from the EMP due to premature liberalization of some sectors that have left small industries struggling to compete with European imports. In fact, a study conducted by Booz Allen Hamilton, commissioned by USAID, has found that stakeholders in Lebanon consider that not all gains were reaped from these trade agreements as they haven't been utilized efficiently (Crafton et al. 2011).

However, the AA signed with each Arab state was a successful catalyst for modernization and profound economic reform even though the initial purpose was not achieved. It eventually granted the SMCs considerable amount of technical and financial assistance from the EU that triggered a more aggressive approach toward industrialization and economic diversification (Miller and Mishrif 2005).

Table 2.1 | Funds received from the EU for trade and industrial development in Lebanon (million euro)

Governance and the rule of law: for justice reform since 2008	30
Private investment: to increase competitiveness of value chains in the wood and agriculture sectors in three regions of Lebanon (North, Bekaa and Akkar) since May 2016	15
Infrastructure: grants to 120 small and medium sized enterprises (SMEs) and non-governmental organisations (NGOs) receiving concessional loans from commercial banks to implement their energy-saving measures	2
Infrastructure: grants to finance innovative projects with geothermal, biomass and solar technologies	3
Research and innovation: to foster regional cooperation in research and innovation on food systems and water resources after Lebanon joined the Partnership for Research and Innovation in the Mediterranean Area (PRIMA) in April 201.	500
Financial assistance: for justice and justice and security system reform; social cohesion, sustainable economic development and vulnerable groups under the European Neighbourhood Instrument (ENI) bilateral assistance	147
Financial assistance: to assist Lebanon since the beginning of the Syrian crisis	970.9

Source: European Commission and EEAS (2017).

Table 2.2 | Projects implemented in Lebanon by the EU

<p>The EU is currently supporting Lebanon's Central Administration for Statistics undertake a household survey to provide insight on employment (among women, men and youth) and living conditions of the Lebanese specifically after the Syrian crisis.</p>
<p>The seventh EU-Lebanon Sub-Committee on Economic and Financial Matters in 2015, addressed structural reform challenges in the energy sector, the tax system and public finance management.</p>
<p>The EU has a number of assistance programmes at the level of municipalities that aim to improve local socioeconomic development and the local job market with a focus on young people.</p>
<p>During the Sub-committee on Trade and Investment held in 2016, the EU has agreed to work with Lebanon to closely follow the progress regarding the adoption of a significant number of draft laws by the Lebanese parliament (issues on bankruptcy, insolvency, reform of Commercial Code, preferred shares etc.). The draft laws aim to improve the business environment in the long run for private investments and SMEs.</p>
<p>The EU works continuously with the private sector in Lebanon to discuss difficulties in exporting products towards the EU as well as inform the private sector on protocols to comply with EU food safety standards.</p>
<p>Other EU programmes launched in 2016 aim to increase the competitiveness of value chains in the wood and agriculture sectors in the North, Bekaa and Akkar as a continuation of previous programmes to develop the sector further.</p>
<p>The EU has been supporting the development of renewable energy and energy efficiency measure in Lebanon through providing grants to small and medium sized enterprises (SMEs) or non-governmental organisations (NGOs).</p>
<p>The EU has also provided grants to finance innovative projects with geothermal, biomass and solar technologies.</p>
<p>The EU is working closely with the Lebanese government on strengthening the role of women in political, economic and cultural areas as highlighted in the declaration of the Lebanese government in 2016.</p>
<p>The EU closely monitored the municipal elections in 2016 through EU observers in order to facilitate voter and candidate registration systems, and encourage women participation and representation.</p>
<p>The EU continues to support measures to improve women's representation and to advocate the introduction of a women quota system in the electoral law in Lebanon.</p>
<p>The EU and Lebanon are working together on the Subcommittee on Democracy, Governance and Human Rights in order to address discriminatory provisions against women, freedom of expression, protection of refugees, justice sector reform, rehabilitation of prisoners, victims of torture and victims of human trafficking as well as rights of children and minorities.</p>

Source: European Commission and EEAS (2017).

ANNEX 3: LIST OF INTERVIEWEES

FIRST ROUND OF INTERVIEWS (FACE TO FACE, SEPTEMBER–OCTOBER 2017)

- A006034. Interview with a male representative of a private company [Al-Wadi]
- A006035. Interview with a male representative of an association [Association of Lebanese Industrialists]
- A006036. Interview with a male representative of an incubator [Berytech]
- A006037. Interview with two representatives (a male and a female) of an association [Chamber of Commerce, Industry and Agriculture. Association]
- A006038. Interview with a male representative of a private company [Chateau Ksara]
- A006039. Interview with a male representative of an IFI [International Finance Corporation (IFC)]
- A006040. Interview with a female representative of an IGO [International Labour Organization (ILO)]
- A006041. Interview with a male representative of a public institution [Investment Development Authority of Lebanon (IDAL)]
- A006042. Interview with a male representative of a local financial institution [Kafalat]
- A006043. Interview with a female representative of a governmental organization [Ministry of Economy and Trade]
- A006044. Interview with a male representative of a governmental organization [Ministry of Industry]
- A006045. Interview with a male representative of a private company [Mounir Bissat Factories]
- A006046. Interview with a male representative of a private company [Power Steel]
- A006047. Interview with a male representative of a local financial institution [Sogelease Liban]
- A006048. Interview with a male representative of a syndicate [Union of the Syndicates of Labourers and Employees of the Trade Sector]

SECOND ROUND OF INTERVIEWS (PHONE, MARCH–APRIL 2018)

- A006036-2. Interview with a male representative of an incubator [Berytech]
- A006042-2. Interview with a female representative of a local financial institution [Kafalat]
- A006057. Interview with a female representative of a private SME [Agri Robinson]

A006058. Interview with a male representative of a syndicate [General Confederation of Lebanese Workers]

A006059. Interview with a female representative of an association for women [Lebanese League for Women in Business]

A006060. Interview with a female representative of a private SME [Taqa]

ANNEX 4: QUESTIONNAIRES

FIRST ROUND OF INTERVIEWS

CONTEXT

- 1) How long have you been working in the industrial sector?
- 2) If you work within an institution, can you tell us more about the work of this institution in this sector (i.e. its objectives and activities)?
- 3) How would you describe the current situation of the sector?
- 4) How has this sector changed since you first started working in it?
 - a) Can you tell us which was the best year for this sector? (Why? What was different? Did you expand your work because of the positive change that this year brought?)
 - b) Can you tell us which was the worst year for the sector? (Why? What changed? What did you do to solve the problems faced?)
- 5) What are your expectations for the coming years for the industrial sector?
- 6) Who are the main stakeholders in the industrial sector in Lebanon? (e.g. independent trade unions; labor organizations; organizations operating in the area of social and economic rights; associations of manufacturers; businessmen's associations; NGOs that are partners of EU projects, and so on).

CHALLENGES

- 7) What do you think are the major problems in relation to the industrial sector in Lebanon?
 - a) What are the factors that can explain such problems?
- 8) What are your institution's objectives, guiding socio-economic models, and views regarding local needs and problems in the area of manufacturing industry?
- 9) What do you think about trade liberalization policies in the industrial sector?
 - a) With which actors and how do they interact in the field of industry on the domestic, regional, and international levels?
- 10) On what institutional/policy change has your institution been working on in the past years?
 - a) What institutional reforms and policies do you think need to be made for improving the sector?
 - b) What national policies are needed for the improvement of the sector?
- 11) Has your institution proposed or implemented policies/strategies/projects to address problems in the sector?
 - a) If so, how have the policies/strategies/projects benefitted the sector and the stakeholders in these sectors?
 - b) If your institution has not proposed such strategies, or if you feel that there is still work that needs to be done, what policies or strategies should be done to address these problems?
- 12) Has your institution collaborated with other institutions/ local or international donors to propose and implement projects in support of the sector?

POLICIES IN THE INDUSTRIAL SECTOR IN LEBANON

- 13) How do you assess European policies in the Mediterranean and in Lebanon in the field of industry with regard to (1) the major problems and needs in the industrial sector, (2) the issues the EU has focused on, (3) the actors involved (i.e. who was included and who was excluded), and (4) the methods used?
 - a) Among the stakeholders in this field, who has benefitted and who has been negatively

affected?

b) Which actors, methods, and issues would you consider most relevant, necessary, and appropriate?

c) What do you think is the impact of these policies from the perspective of people's welfare and local economic needs (e.g., job creation, decent employment opportunities, labor rights, industrial diversification, local firms vis-à-vis multinational companies, sustainable development, and so on)?

14) How do you assess the potential of EU policies in light of the policies which other important regional and external powers are driving in their country (including the US, Turkey, Saudi Arabia, Iran, China, Russia and so on)?

a) Are their policies conflicting, competing, or converging with the EU's? What should be the EU's policies in this respect?

15) Have EU-funded development projects been allocated equitably across regions and actors (i.e. the most deprived region receiving the largest funds)?

a) Were these projects associated with generating good quality jobs?

SECOND ROUND OF INTERVIEWS

1) Do SMEs belong to clusters in Lebanon? If yes, does this facilitate access to finance? How does the middle actor (e.g. banking in Lebanon) restrict access to resources for women and men?

2) What are the preconditions for loans set by middle actors and do they include any conditions for promoting gender equality (or do they restrict access to resources for women compared to men)? Does the education level matter?

3) To what extent does the EU support sectors that engage more women?

4) What is your position vis-à-vis- the wage policy in the country? Discuss the issue of labor costs in more detail.

5) Do SMEs belong to clusters? If yes, does this facilitate access to finance? Does the government support R&D? If yes, how? What are your expectations concerning this point?

6) What do you think are the major problems in relation to the industrial sector in Lebanon? What are the factors that can explain such problems?

7) What institutional reforms, strategies and policies do you think need to be made for addressing the challenges met by the industrial sector?

8) To what extent do you believe that the EU, the Lebanese government, and industrialists, effectively represent a real willingness and awareness about the real problems met by SMEs? Do they take into account the unequal relationship between big companies and SMEs?

9) Are there any official coordination efforts between them? In the real world, does this coordination exist?

10) What do you think about the objectives stipulated in the Lebanon-EU Compact and the ENP Action Plan?

11) In your point of view, do you think the objectives of the EU projects are in line with the needs and requirements of the industrial stakeholders?

12) How do you assess European policies in the Mediterranean and in Lebanon in the field of industry with regard to (1) the major problems and needs in the industrial sector, (2) the issues the EU has focused on, (3) their influence on men and women?

13) How do you evaluate the effectiveness of EU policies in light of the actions of other actors?

14) Tell us about the female employment in the informal sector? Do the low rates reflect a problem of underestimation due to the presence of female workers in the informal economy,

particularly the industrial sector? Are women concentrated in specific industry sectors?

15) What are the main reasons behind the informal sector: inefficient bureaucracy, high tax rates, etc.? How does the government deal with this?

16) Tell us about women's working conditions in the industry sector? What about women entrepreneurs? What about their major impediments?

17) Can you briefly say something about which laws are of particularly disadvantage to women workers, with particular attention to industry if relevant?

18) How do EU policies affect men and women differently? Did these policies lead to gender mainstreaming in different organizations?

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MED RESET

مِطَا رِيَسِت



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