

# The Path to Economic Revival in the Short to Medium Term in Lebanon

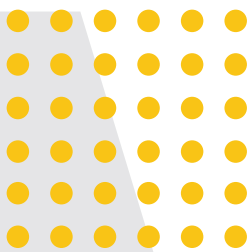


Shared Prosperity Dignified Life



Enhancing integrated national development planning at the **Ministry of Economy and Trade**

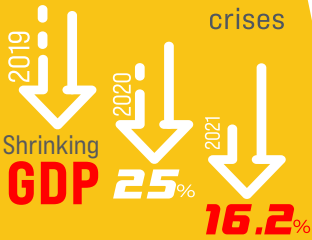
E/ESCWA/CL3.SEP/2022/RECOVERY PLAN/LEB



## Executive Summary



### Economic and Financial crises



Since 2019, Lebanon has been dealing with severe economic and financial crises. The country's GDP shrunk by 25 per cent in 2020, and 16.2 per cent in 2021.<sup>1</sup>

However, ESCWA projects a GDP growth of 10.1 per cent in 2022.<sup>2</sup> Unemployment reached 43.5 per cent in 2021 and is expected to reach 32 per cent in 2022.<sup>3</sup> A major repercussion of the dire socioeconomic situation is extremely high levels of brain drain and youth emigration. Around 48 per cent of Lebanese young people have expressed their willingness to leave the country.<sup>4</sup>

Given the current shortages in vital materials and basic foods, low international confidence owing to weak political and economic stability, and significant currency depreciation and inflation, the Government is seeking to reboot the Lebanese economy following its collapse. While fundamental reforms, such as fiscal and trade reforms, are crucial for recovering the economy, specific short-term actions in core sectors are imperative to initiate economic revival by rapidly generating employment opportunities and additional income. Consequently, ESCWA and the Ministry of Economy and Trade in Lebanon are developing a joint project to enhance national planning in the ministry and to develop a realistic, coordinated, and implementable short to medium term economic revival plan. To do so, ESCWA will support the ministry in conducting evidence-based analysis, developing key performance indicators (KPIs),



engaging with stakeholders, and communicating strategically. The project also provides the necessary skills for carrying out successful implementation, monitoring and evaluation. The project will be based on ESCWA guidelines of good planning.<sup>5</sup>

A guiding document for the development of the plan has been developed. This document identifies key sectors, formulates the main outcome and SMART objectives, and compiles relevant actions and activities from previous national and sectoral plans. As the project progresses, the plan will be developed to include key performance indicators and timeframes for the objectives and actions of the recovery plan, identifying stakeholders and defining the monitoring and evaluation process.

The revival plan will focus on key sectors that the Ministry of Economy and Trade has identified as priority sectors, which can serve as a basis for economic revival and achieving the country's short-term development needs. As the economy is restricted by limited fiscal space and numerous risks, it is vital to focus the economic revival on sectors that have a growth potential in the current challenging circumstances. The Ministry of Economy and Trade has prioritized **three main sectors** as drivers of economic revival: **agribusiness, tourism, and the digital economy**.



These sectors have contributed greatly to economic growth and employment over the past years, therefore emphasizing their role and impact will strengthen revival. However, these sectors also face several difficulties. The main challenges in the agribusiness sector include low productivity and low competitiveness, constrained business environment, and ineffective value chains. The tourism sector is impeded by a shortage of comprehensive tourism data at the national and local levels, weak investments in tourism and hospitality infrastructure, and a lack of clear coordination mechanisms between various tourism stakeholders. Challenges in the digital economy sector include the absence of key regulatory reforms, and weak virtual and physical infrastructure.

To define responses to these challenges, a strategic framework was developed, with a main outcome and three economic objectives. The main outcome of the revival plan is to reconstruct a productive, innovative, competitive and enabling economy that supports recovery from the current economic and financial crisis through reforms in three key sectors by 2025. The objectives encompass boosting the productivity of the economy, improving the business environment, and capitalizing on the skills of young people by increasing youth employment. These objectives are linked to short- and medium-term actions, compiled from previous national and sectoral development plans developed by the Lebanese Government and international organizations.

The three objectives aim to strengthen the three focus sectors. The first objective on boosting the productivity of the economy will enhance the country's competitiveness and international confidence, attract capital inflows, increase exports and reduce import dependence, provide better jobs, and decrease unemployment. If managed correctly, these initiatives can reap major gains for the Lebanese economy, and address many socioeconomic challenges. The second objective on improving the business environment for existing companies and newcomers to the key sectors is vital for obtaining more external capital to be invested in other sectors of the economy. In addition to driving innovation and fuelling job opportunities,

# Main outcome and objectives of the strategic framework

## Objective 1

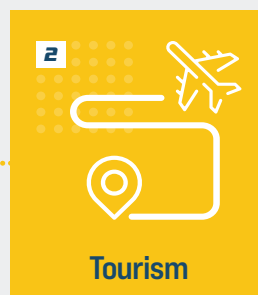
Support the transformation of the Lebanese economy into a productive economy, by increasing its global competitiveness score in 2025 compared with 2020.

## Objective 2

Attract new capital to the Lebanese economy by enhancing the business environment, so that new capital in 2025 is greater than in 2020.

## Objective 3

Capitalize on the skills of young people to drive a productive economy by ensuring that the share of youth employment in Lebanon is higher in 2025 than in 2020.



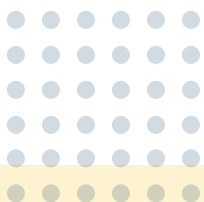
## Main outcome

By 2025, by implementing reforms in three key sectors (agribusiness, tourism and digital economy), Lebanon will reconstruct a productive, innovative, competitive and enabling economy that supports recovery from the current economic and financial crisis.



an enabling business environment can support cost and time saving and promote industry growth and productivity, leading to greater capital attraction to Lebanese economic sectors. The third objective builds on the skills of Lebanese young people and fosters their entrepreneurial capacity in the three sectors, thus making them key drivers towards economic revival.

The present document serves as a starting point for the development of a short-term economic revival plan. However, ESCWA suggests specific recommendations to enhance the planning process and the plan's structures. It is necessary to conduct an assessment of previous plans to identify former strengths and weaknesses and capitalize on them. Technical assistance on enhancing the design and structure of strategic plans through supporting in conducting evidence-based analysis, setting KPIs, aligning budgets with plans, monitoring and evaluating, and ensuring coordination is crucial. Moreover, the operational plan and technical papers will be drafted, and scientific models will be developed to estimate the impact of the policies on economic indicators. By the end of the project, a well-coordinated, evidence-based and strategic short to medium term economic revival plan for Lebanon will be ready for implementation.



## Endnotes

1. ESCWA projections based on the World Economic Forecasting Model for 2021, retrieved from ESCWA, Survey of Economic and Social Developments in the Arab Region 2022, 2020–2021.
2. Ibid.
3. Ibid.
4. ASDAA BCW, Arab Youth Survey 2020.
5. ESCWA, On the guidelines of good planning: the case of the Arab region, 2017.