

Republic of Lebanon
Office of the Minister of State for Administrative Reform
Center for Public Sector Projects and Studies
(C.P.S.P.S.)

الجمهورية اللبنانية
مكتب وزير الدولة لشؤون التنمية الإدارية
مركز مشاريع ودراسات القطاع العام

RECOMMENDATIONS ON JOBS CREATION IN THE REPUBLIC OF LEBANON

A report to the Minister of Industry

August 5, 2002



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His Excellency Mr. Georges Frem
Minister of Industry
The Republic of Lebanon
Beirut, Lebanon

Dear Minister Frem:

For six weeks during the months of June and July Mr. Ronald Bosrock, Executive Director of the Global Institute, had the pleasure of working with you and your office on an assignment to develop an investment promotion program for The Republic of Lebanon.

The major objective of the assignment was to put in place a mechanism to help the Ministry create jobs in the industrial sector of the economy. Per your request he has made the report brief and to the point (copy attached).

During his review of the many documents and reports already produced on the subject, and as a result of many personal interviews and contacts with people in the government and private sector, he has concluded that the White Paper on Lebanese Industry comes the closest to his general conclusions. He has had several discussions with Mr. Kamal Saad and with few exceptions noted in his recommendations, he agrees on most of the concepts discussed in the White Paper.

Therefore he will not repeat the information, but include it by reference in his report.

If you should have any questions relative to his comments or would like to discuss any issues regarding the report, please do not hesitate to contact Mr. Bosrock or myself.

Again, it was a pleasure working with you and your staff.

Sincerely,

Robert Tabib
Country Representative for Lebanon
The Global Institute

attachment:

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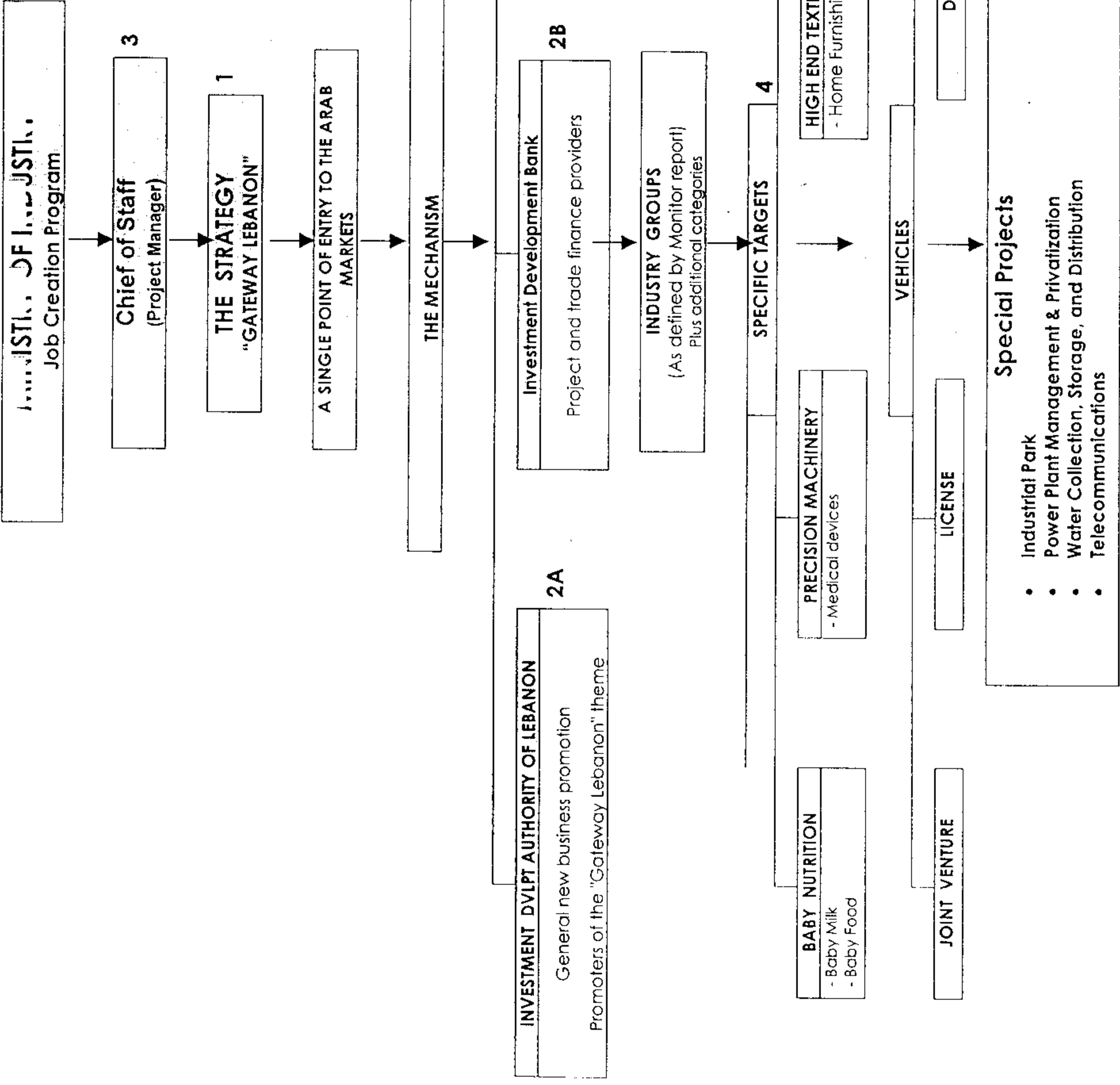
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THE CHART

The following chart represents the role the Ministry of Industry could play in the implementation of a jobs creation program. The numbers on the chart correspond to the paragraphs in the text.



INTRODUCTION

The development of any investment promotion program has to be based on the idea that the investor will have a reasonable chance to build a successful business.

When considering investments in cross-border markets the normal business risks take on new and unknown factors. But the one factor that cannot be comprised is political and socio-economic stability.

Where there is real or perceived instability, the risk becomes unacceptable. Lebanon finds itself in such a position.

By and large governments do not create jobs, at least not in any form of market economy. It is the private sector that creates businesses that create jobs. Governments, on the other hand, must provide the infrastructure and positive climate in order for a business to invest in the country.

Currently, Lebanon is in a state of recovery from the ravages of the war and although the recovery is slow, the potential for Lebanon, I believe, remains very high. However, there is one major problem that must be addressed if Lebanon is going to attract investment and create the jobs so necessary for its future growth. Lebanon suffers from a negative perception that it is a war torn state that is controlled by organizations that promote violence.

No matter what is done to make the rest of the business climate conducive to investment this negative perception, if not corrected, will prohibit the real potential of Lebanon to be realized. It must be countered and replaced with the positive side of Lebanon.

RECOMMENDATIONS

The recommendations that follow are few in number but represent what I believe most needs to be emphasized if the jobs program is to have a chance for success. It should be noted that these recommendations are additions to and are coordinated with the White Paper on Lebanese Industry, co-authored by Slim Tlatli and Kamal Saad.

STRATEGY - 1

Lebanon should adopt or re-adopt the strategy of presenting Lebanon as the "Gateway to the Arab Markets."

As globalization continues to expand the world economy, many western companies that seek to access the Arab markets will need someone to act as their surrogate. Lebanon is uniquely qualified to play that role.

Why Lebanon? The paper produced by the Ministry of Industry, June 5th, 2001, entitled "Why Invest in Lebanon?" spells out all the reasons why. Lebanon could be positioned to serve as the regional center for manufacturing and distribution to the Arab markets. According to the latest United Nations Report on Human Development, the Arab States by 2020 will be close to 430 million people.

Lebanon could be the "Single Point of Entry" for access to this potential market.

Lebanon should not seek to find some new strategy when it already has a strategy that has been accepted by the region as the "gateway country."

THE MECHANISM - 2

The job of attracting potential business partners either, as producers in the Lebanese market or as candidates for the "gateway" services of Lebanon, will not be easy given the negative perception already mentioned.

Therefore the mechanism that will serve as the implementer must be in place and functioning in a coordinated matter. This mechanism should be made up of three elements:

1. The promoter
2. The financier
3. The new business lead generator

2A - 1. The Investment Development Authority of Lebanon -- (IDAL)

During my visit to Lebanon I met with this organization and several of its Board members as well as representatives of various industrial and trade associations. IDAL has the organization, support and budget in place to do the promotional program that would be designed to offset the negative perceptions and replace them with the positive side of Lebanon.

Countering the negative perceptions of Lebanon should be IDAL's number one priority.

All the Ministries should be cooperating with IDAL to lay the foundation of a new, positive image of Lebanon based on what is, in fact, a plethora of talent, know-how and business skill sets.

2B - 2. The Investment Development Fund (IDF)

In order to insure that legitimate, serious candidates for investment are brought to fruition there must be a financing mechanism as part of the overall process.

Ideally the IDF should be a private fund, for profit, created to insure that the most crucial step of the investment program does not falter.

2C - 3. The New Business Lead Generator (LG)

This part of the Mechanism can have several contributors all from the private sector. For example:

*The Global Institute

*The Lebanese-American Organizations

*Lebanese Business Associations

ORGANIZATIONAL MATTERS

3 - The Chief of Staff of the Minister of Industry - The Minister of Industry needs a Chief of Staff to coordinate the workings of the Mechanism with the rest of the Cabinet and central government. This person should be knowledgeable in both the workings of the government and the business community.

The alternative to a Chief of Staff would be for the Minister to hire a Project Manager who would oversee the implementation phase of the program.

TARGETS OF THE PROGRAM - 4

The Monitor report helped to identify industry groups and some specific targets. But during my stay at the Ministry there were several special projects that were identified by the Minister as special infrastructures type projects. These projects would be separated from the regular

Mechanism to be pursued by special efforts of a private sector capability. Examples:

1. Industrial Park
2. Power Plant Management and Privatization.
3. Water Collection, Storage and Distribution
4. Telecommunications

CONCLUSION

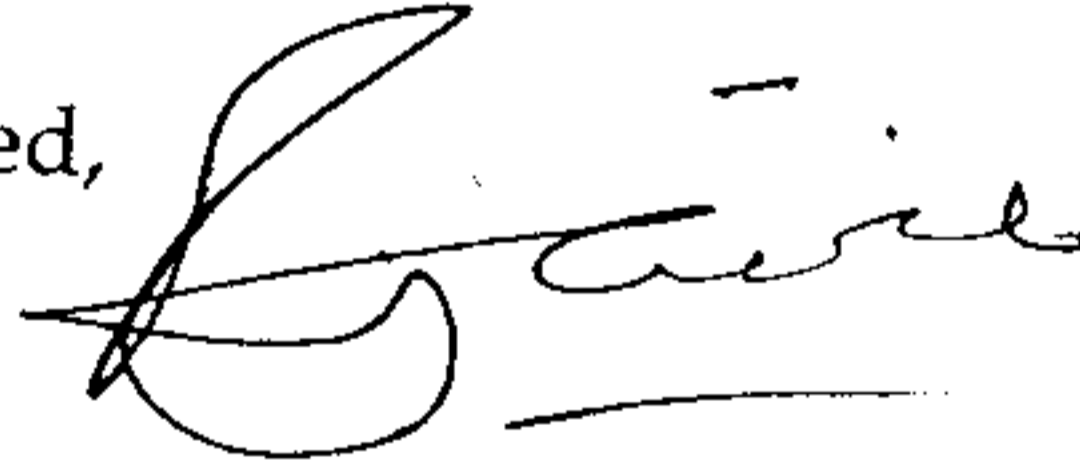
While the recommendations are limited in number and brief, it is my belief, after spending the time in Lebanon reviewing these matters that these are the key elements of an investment promotion program for Lebanon.

The government of the Republic of Lebanon must have in place all the traditional elements of a program such as a tax scheme; the rule of law and accounting transparency but these alone will not be enough without the recommendations in this report.

This report should be looked at in conjunction with the White Paper produced by Mr. Saad and Mr. Tlatli.

The brevity of this report does not in any way diminish the importance of the key recommendations made therein.

Respectfully submitted,



Robert Tabib
Country Representative for Lebanon
The Global Institute

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References

White Papers on Lebanese Industry, Mr. Kamal Saad and Slim Tlatli.

The Monitor Report, Specific Industry Groups.

"Why Invest In Lebanon?", Ministry of Industry, June 5, 2001

United Nations Report on Human Development, The Arab States,
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