

## Chapter Two

### HUMAN DEVELOPMENT IN LEBANON

#### I INTRODUCTION

It is difficult to understand the human development situation of the nineties in Lebanon without reference to the armed conflict that took place in the country from 1975 to 1990. This conflict was, undoubtedly, one of the costliest conflicts in recent memory. In terms of human loss, conservative estimates are 150,000 dead, 200,000 injured, 50,000 persons left with serious disability, nearly 500,000 displaced after the end of the war, and 900,000 persons who left the country altogether, many of whom well to do and/or highly qualified. These numbers, imposing as they are, must be appreciated in relation to the small size of the country (about 3 million people). In terms of proportions, they are extremely poignant. Compared to the United States, for example, they translate into 9 million dead, 18 million injured, some 5 million disabled, 45 million displaced and 80 million emigrants.

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This calamity surpassed that which was inflicted on European countries during the Second World War. Material losses, in terms of infrastructure destroyed or decayed during the sixteen years of war, were estimated by the United Nations at between US\$ 25 billion and US\$ 30 billion. This equaled some ten to twelve times the national income of the country at the end of the war. No country in Western Europe suffered a physical loss near that scale as a result of the Second World War. In addition, European countries received considerable amounts of aid, in the form of grants, from the United States under the Marshall Plan, which was not the case for Lebanon. Nevertheless, practically all European countries had to go through a period of austerity that extended for more than a decade after the war, during which rationing and severe restrictions on imports and other such measures were imposed. Lebanon instituted no such restrictions after the war and the economy remained one of free trade and foreign exchange. To all this one should add the fact that the war in Lebanon lasted nearly sixteen years during which a generation of war children was born, the generation on which the largest burden of reconstruction will inevitably fall.

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It is important to note also that a part of Lebanon, in the South and in the western Bekaa, is still occupied by Israel and that military activities take place there on almost daily basis. Israel also made a number of major attacks on Lebanese territory since the end of the war. The most important among these took place in April 1996 and resulted in the Qana massacre in which more than 100 Lebanese, mostly women, children and elderly, were killed by the Israeli shelling of a United Nations army camp where they had taken refuge, and in the destruction of some infrastructure. These hostilities have inevitably created a difficult situation for the government in undertaking the reconstruction and development of the country.

## **II. ECONOMIC DEVELOPMENTS IN THE 1992-97 PERIOD**

In spite of the above consequences and situation resulting from the war, the economy, after some hesitation in the first two years of the nineties, performed in a remarkable manner (Table 1).<sup>1</sup>

Following the restoration of security and national authority in 1991, the Government set out to achieve its key economic policy objective of monetary stability, which would be the anchor for economic recovery. After a temporary setback in 1992, when the exchange rate of the Lebanese pound to the US dollar plunged from LL 879 in January to LL 2,420 in September, the authorities regained control of the situation by the end of 1992 (LL/US\$ 1,838). Since, the Central Bank has staunchly and successfully defended the stability of the currency – and even managed to achieve an appreciation of 2 to 3 percent per year. It is expected that the LL/US\$ rate will close just above 1,500 at the end of 1998. The Central Bank increased its reserves of foreign currencies by more than ten times since 1993 (gross, US\$ 6,130 million at the end of June 1998).

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Monetary stability enabled the authorities to gradually control the rate of inflation. After inflation shot up to 120 percent in 1992, it was subsequently reduced to the one-digit level in 1994. Inflation was brought down to 5 percent in 1997 and the expectation is that it will be further reduced, perhaps to half that level in 1998.

### **Charts 1 and 2**

Economic stability has been the bedrock to regain and build confidence of the business community and to transform the reservations of the regional and global financial markets into strong support to national recovery. The process was very much helped by the initiatives of the Central Bank to modernize and develop the legal and regulatory framework for banking and finance, and to introduce new financial products. Financial markets have shown considerable and increasing confidence in the recovery of the national economy and the reconstruction and development of the country. On the regional market, for example, the shares of Solidere, the company that was established in 1993 for the purpose of rebuilding the devastated downtown area of Beirut, were oversubscribed by Lebanese and Arab nationals, the only groups allowed to buy them. On the international markets, Lebanese government bonds – as well as bonds issued by banks and private companies – have been easily marketed at an interest rate below that obtained in the case of similar bond issues by some of the major developing countries. This confidence is still being manifested, as was the case for the US\$ 1 billion issue of Lebanese government bonds of 1998. It is noted of interest to note that, at the end of March 1998, US\$ 3,552 million of international debt and equity instruments have been issued by the public and private sectors.

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Another indicator of confidence was the significant surpluses on the balance of payments throughout the 1992-97 period. This performance resulted from consistent, massive inflows of capital and private transfers from

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<sup>1</sup> For an extensive review of developments in the years 1996-98, see UNDP: Development Cooperation Report Lebanon, 1997 and 1998, Beirut.

abroad that amounted to between US\$ 3.3 billion and US\$ 6.7 billion a year, a considerable amount for a country of only 3 million people. These transfers wiped out the huge deficits of the trade balance, which ranged from US\$ 3.2 billion to US\$ 6.9 billion a year in the 1992-97 period. It is noted, however, that the export/import ratio, around 10 to 15 percent during the period, did not show any sign of taking off.

**Table 1: Selected macro-economic indicators, 1992-1997**

|   | <b>1992</b> | <b>1993</b>  | <b>1994</b>  | <b>1995</b> | <b>1996</b> | <b>1997</b> |
|---|-------------|--------------|--------------|-------------|-------------|-------------|
| <b>Exchange rate (end of year, LL/US\$)</b> | 1,838       | 1,711        | 1,647        | 1,596       | 1,552       | 1,527       |
| <b>Inflation (percent)</b>                  | 120.0       | 29.1         | 8.0          | 10.6        | 8.9         | 5.0         |
| <b>Exports (f.o.b.) (Mln US\$)</b>          | 601         | 686          | 737          | 982         | 1,066       | 648         |
| <b>Imports (f.o.b.) (Mln US\$)</b>          | (3,786)     | (4,908)      | (5,541)      | (6,722)     | (6,992)     | (7,528)     |
| <b>Trade balance (Mln US\$)</b>             | (3,185)     | (4,222)      | (4,804)      | (5,740)     | (5,926)     | (6,880)     |
| <b>Services (Mln US\$)</b>                  | (29)        | (149)        | 11           | 42          | (48)        | na          |
| <b>Private transfers (Mln US\$)</b>         | 416         | 678          | 735          | 881         | 1,271       | na          |
| <b>Capital account (Mln US\$)</b>           | 2,851       | 4,863        | 5,189        | 5,073       | 5,489       | na          |
| <b>Balance of payments (Mln US\$)</b>       | <b>53</b>   | <b>1,170</b> | <b>1,131</b> | <b>256</b>  | <b>786</b>  | <b>420</b>  |
| <b>Real GDP growth (percent)</b>            | 4.5         | 7.0          | 8.0          | 6.5         | 4.0         | 4.0         |

Source: Lebanon: Ministry of Finance (1998).

The result of the above developments led to a rapid increase in the annual growth rate of GDP, which reached a peak of 8 percent in 1994 and averaged 6.5 percent annually between 1992 and 1995. In the first half of the nineties, boom conditions prevailed in the construction sector, which, along with banking and finance, led the economy. Since, the growth performance has slowed down. It remained fairly stable at 4 percent in 1996 and 1997 – a slightly lesser performance is expected for 1998. Banking and finance have continued to outperform the economy. Activity in the important construction sector has remained at a low level since the mid-1990s. It is essential to reactivate and sustain the pace of growth, 6 to 8 percent per annum over a medium-term period, with a view to meeting the financing requirements of reconstruction and development and to improving the economic and social situation.

To achieve the objectives of ensuring stability and building and strengthening confidence of the international finance and business community has been at a cost. High interest rates have drained domestic resources to shore up public finance instead of benefiting private sector development and investment in the productive sectors. The ambitious programme of reconstruction and development taxed national capacities in a major way during the past period. In the absence of massive external aid, a major part of the reconstruction of the past period was financed from domestic resources, and from borrowing on national and international markets. The Government decreased income tax and business tax to a maximum of ten percent (which reduced government revenues, at least in the short term) in order to encourage private investment, particularly at the international level. In an attempt to ease the increasing constraints on public finance, the Government offered a number of reconstruction projects to the private sector. Certain public services were privatized under “build, operate and transfer” (BOT) arrangements, thereby shifting the burden to the private sector. Success in all of the above undertakings has been uneven, however.

Problems, inevitably, arose in relation to the overwhelming task of reconstruction. The problems that arose fell into two main categories: the mounting *public debt* and the lagging *social reconstruction*. Between 1992 and 1997, the gross public debt rose from less than US\$ 3 billion to US\$ 15 billion. The ratio of gross public debt to GDP rose from 56 percent to 102 percent during the same period. Public debt rose from 46 percent of total public revenues in 1992 to 88 percent in 1997, forcing the government to borrow almost all of its regular expenditures. It is to be noted that, even though revenues increased considerably in recent years, they represented only 16.3 percent of GDP in 1997, which is considered low for a country in the midst of recovery from an extended period of war.

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The fact that the government budget deficit had to be rapidly contained became a clear, overriding necessity. Late in 1997, the government took the firm decision to keep the budget deficit within 42 percent of total expenditures in 1998 (which would represent 12 percent of GDP) - down from an actual deficit of 59 percent in 1997 (a very high 23.5 percent of GDP). Available data for 1998 (for the first nine months) indicate that the budget deficit was controlled and narrowly remained within the set limit. The improvement in the fiscal performance was also reflected in the deceleration of the growth rate of public indebtedness.

As indicated earlier, the government borrowed on the international market in April 1998 US\$ 1 billion (and intended to borrow another US\$ 1 billion before the end of 1998) to restructure the domestic debt in favor of the foreign debt. This operation has reduced the overall servicing of the debt since the interest rate on foreign borrowing was significantly lower than that on local borrowing. However, a number of public payments reportedly were due, such as to hospitals for the public health coverage and to contractors for obligations made by government departments and agencies *outside* the approved budget, and had been postponed. At any rate, containing the government budget deficit within the 42 percent limit is not sufficient, in view of the size of public debt in relation to GDP and, more important, the fact that servicing the debt absorbs nearly all government revenues. In addition, as of beginning 1999 the government will have to disburse for the implementation of the new pay scale for civil servants. The need for a plan, supported by a law, to eliminate the government budget deficit within a foreseeable future has become of essence. Such plan will have to include or be accompanied by a major drive of administrative reform.

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Under the pressure to urgently rebuild the infrastructure, the social aspects of reconstruction received insufficient attention. The building boom that followed the end of the war took place mainly in Greater Beirut and, to some extent, in selected urban areas, creating a growing differential between these and the other regions of the country, particularly rural areas. Comprehensive programmes aimed at improving levels of living differentials between regions and population groups fell short of requirement. The reconstruction projects that were implemented often lacked a clear and explicit view of their social impact. The tax system emphasized ease of collection at the expense of equity and has remained heavily centered on indirect taxation that affects the poor and the rich equally, but not equitably. A similar effect resulted from the progressive increases in the fees of public services.

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The feeling of income inadequacy has been fairly widespread among the population (see Chapter Youth and the Labour Force). While some of this is a natural consequence of the war, it is also explained in part by the fact that the results of the reconstruction programme undertaken to date have not trickled down to the general population. The feeling of income inadequacy is confirmed by the data on emigration analyzed in the Chapter Demography of Youth. The most frequently reported reason for emigration across all education groups is, indeed, economic and financial. It is observed that the phenomenon is more widespread for the youth category than for the other age groups.

A final point: it is to be emphasized that the reconstruction effort that took place in the 1992-97 period was impressive. The reconstruction programme aimed mainly at the rehabilitation and development of infrastructure, particularly electricity, telecommunications, vital public facilities such as the airport and port, water supply, wastewater, hospitals, schools, and roads. An important lacuna of this venture has been the absence of an approved comprehensive reconstruction plan, however. The *National Emergency Recovery Programme* (NERP) covering the 1993-1995 period was essentially an extensive study, commissioned from reputed local and international consultants. The study dealt exclusively with the rehabilitation of the physical infrastructure of public services, including schools and health facilities and the building of new structures (Lebanon: CDR, 1991). Based on this effort, the plan *Horizon 2000 for Reconstruction and Development* covering the 1993-2002 period was formulated. The plan aimed at recovery and balanced development with the overall target of doubling per capita gross domestic product over the period. It centered again on physical reconstruction, but taking into account the regional distribution of public investment. Neither plan was officially approved by the Council of Ministers and the Parliament. Instead, the Parliament opted for approval of sector programmes and projects on individual basis. In any case, many of the goals of Horizon 2000 proved to be out of reach<sup>2</sup>. Nevertheless and even at this stage of the reconstruction, a duly approved overall strategy and programme are imperative to guide the ongoing effort of reconstruction of the country.

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### **III. NATIONAL ACTION THAT IMPACTED ON HUMAN DEVELOPMENT**

The above shortcomings notwithstanding, a number of important actions and programmes that impact on human development were undertaken since the end of the war. The following are some notable examples (and are far from an exhaustive list), organized according to the main factors affecting sustainable human development –

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<sup>2</sup> Among these the following are noted: the projected annual rate of growth of real GDP of around 11 percent between 1992 and 1997; the projected gradual reduction in the budget deficit to 30 percent in 1997 and the achievement of a surplus of 15 percent in the year 2000; and, the total debt service in relation to public revenues, projected to decrease gradually from 60 percent in 1994 to 32 percent in 1997. (For a critical analysis of the plan, see UNDP, 1997a, pp.42-47).

production and productivity, social justice and equity, sustainability, and empowerment and participation. Other examples are mentioned in the chapters that follow.<sup>3</sup>

First of all, mention is made of the ongoing effort to re-establish the country's basic database. In the past two years, a number of sample surveys dealing with social conditions were executed by the government with assistance from international organizations, particularly the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA) and the International Labor Organization (ILO). These gave, for the first time in more than two decades, a broad picture of the social situation in the country and some of the specific actions needed for improving it<sup>4</sup>. These sample surveys, however, do not eliminate the need for a comprehensive population census considering that such a census has not been taken since 1932. Together with the results of a number of recent economic surveys, the above surveys have yielded a wealth of information. There is now a considerable challenge to bring about data coherence and efficient management of the available data. Such basic database would provide a strong, reliable basis for better-informed decision-making and new policy initiatives and operational activities, and for private sector development action in the private and non-governmental sectors.

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## **1. Production and productivity**

The government took a number of initiatives to strengthen the competitive position of enterprises at the national and international levels during the past period. Much remains to be done, however, with respect to measures that are prerequisites of an attractive investment climate, such as the modernization and simplification of commercial law, the establishment of a legal and regulatory framework for privatization of public infrastructure and services, and the review and updating of the framework for investment.

In May 1997, the government decided to execute a support programme for small and medium industrial, agricultural and tourism enterprises (through granting an interest subsidy on loans contracted from commercial banks). The government also decided in 1997 to protect agriculture through limiting imports of competing agricultural products and to select and protect competitive industries that have an export potential.

The government took a number of decisions to prepare the country to integrate the global competitive environment. Lebanon joined the Euro-Mediterranean partnership in Barcelona in 1995. However, the process of concluding the associating agreement between Lebanon and the European Union is still to be concluded, pending the negotiation of a few outstanding issues, including the terms of the gradual elimination of customs tariffs, the issue of agricultural produce, and social questions. The government also decided in 1997 to join and execute the Arab League Economic and Social Council programme towards the establishment of an Arab free

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<sup>3</sup> The information in this section was obtained partly from interviews conducted by staff of the Center for Development Studies and Projects (MADMA) with officials of ministries involved in activities that are directly relevant to human development, and abstracted from UNDP: Lebanon Development Cooperation Report 1998.

<sup>4</sup> Population and Housing Database of Lebanon: Ministry of Social Affairs and UNFPA (1996); Lebanon Maternal and Child Health Survey, Ministry of Health and PAPCHILD (1996); Labor Market Study for Institutions and Households: National Employment Agency, and UNDP and ILO (1997); and, Conditions de Vie des Ménages en 1997: Central Administration of Statistics and UNDP (1998).

trade zone (under WTO rules) by the year 2008, and approved to join the World Trade Organization as an observer. Finally and importantly, Lebanon and Syria agreed early in 1998 to aim at completely abolishing customs barriers between the two countries in the medium term. A similar agreement was signed with Egypt in the summer 1998. Such agreements are the first concrete step towards the creation of an Arab common market.

In order to insure a better distribution of economic activities and with a view to achieving a regionally more balanced development, the government has formulated a plan, still to be implemented, to establish eleven industrial zones in various parts of the country. Towards the same end, the government also initiated an ambitious programme targeting mainly deprived regions in the Baalbeck and Hermel districts and in North Lebanon. The emphasis is on road building, irrigation and social services and should result in a more balanced growth, which is an important condition of human development. It should be noted in this regard that a clear shift in the approach of the Council for Reconstruction and Development (CDR) has been taking place as the focus moves from reconstruction to development. The latest progress report of CDR reveals greater emphasis on regional needs and the regional distribution of projects in various sectors, on environmental concerns and on quality of services, particularly in education, health and building standards (Lebanon: CDR, 1998).

## **2. Social justice and equity**

The government has taken major initiatives to ensure universal access to quality basic social services and to create new opportunities for all to access resources. However, these different ventures extend over medium-term to long-term periods, and thus the full benefits of such programmes will not be reaped until several years from now.

At the end of the war, a large number of displaced persons were unable to return to their homes mostly for material and financial reasons. A Ministry for the Displaced Persons was created in 1992 with the single purpose of facilitating the return of the displaced population. It was immediately realized that the process would not be an easy one. The need for a clear political decision, including for reconciliation, and for proper procedures were obvious prerequisites for the successful and expeditious implementation of the return process. There was a substantial financial need to relocate families who had occupied the homes of the displaced, to assist the returnees in rebuilding or rehabilitating their homes and to reconstruct the infrastructure in certain areas. Some success has been achieved in the past years, but a good deal remains to be done before the complete return of the displaced (see Chapter Youth and Demography). According to a statistical report published by the Ministry for the Displaced Persons in 1998, a total of LL 777 billion was spent by the Fund for Displaced Persons between 1993 and 1997. It is generally agreed that the cost of the limited return achieved so far has been unduly high. Eight years after the end of the war, it is essential that the process of return and reintegration be completed soonest - which would imply stepped up efforts to reconstruct the social and community infrastructure and, in particular, to create attractive employment opportunities in these areas.

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The government initiated a major health sector rehabilitation and reform programme in 1995, with the assistance of the World Bank, WHO and international organizations. The programme aims at rehabilitating and strengthening the institutional and human resources capacity in the health sector, bolstering basic health care and generalizing health insurance and rationalizing health sector financing. Some progress has been achieved in recent years with respect to the establishment of an integrated national health system, with at its basis a primary health care network.

Operational activities to improve the quality of health care were done on two levels, first, improving the physical setup of primary health care outlets, and, second, building capacity of the personnel working in these outlets. The Ministry of Public Health, operating in cooperation with NGOs and with support from international organizations, particularly UNICEF, WHO and UNFPA, has started the management of the delivery of a nationally agreed upon package of primary health care services, initially in selected health centers in different regions. The package was designed to be both comprehensive and affordable by the community and relies on available means. In the past years, major vaccination programmes were successfully undertaken with particular focus on outlying deprived areas. Some of the main children diseases, such as post-natal tetanus, measles, rubella and mumps have been virtually eliminated, resulting in a sharp drop in infant and child mortality.

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The national health system provides every Lebanese with hospitalization at a highly subsidized rate reaching around 85 percent of total cost, including medicine, and 100 percent for major hospital services relating to open-heart surgery, kidney dialysis and cancer treatment. Geographical coverage, although improving, remains problematic in view of unavailability of services in certain remote areas. However, serious criticisms have been raised regarding the high cost of this programme and of health care services in general. It is to be noted that the Ministry of Health has taken initiatives in the past few years to raise awareness about the spread of non-communicable diseases.

With respect to children and education, recent years have witnessed important initiatives and action. There has been impressive progress in the protection of children in the country, including the increase of the minimum age for working children from 8 to 13 years; the deletion of the mention “illegal child” on the identity card; the obligation to present a medical certificate before marriage, the obligation to establish a medical file for each child; the passing of a special law for the handicapped; and, the enhancement of medical ethics with a view to protecting abused children. Recently, advocacy efforts have targeted issues relating to child labour, juvenile delinquency and victims of abuse. In the education sector, action focused on meeting the immediate challenges of guaranteed, free access to education, and improving the quality of education. A recent major achievement was the approval of free and compulsory education at the primary school level (even though it was not approved for the complementary school level) – an objective that had been the focus of advocacy led by UNICEF in recent years. Attention in this respect has now shifted to ways and means to effectively apply and enforce the law. A comprehensive programme of basic education reform is underway and a major development programme of vocational training and technical education was formulated and approved for implementation in 1998 (see Chapter Youth and Education).

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The Ministry of Social Affairs has been quite active on several fronts of social development. One achievement was the re-establishment of development services centers, mainly in poor areas. The main areas of activity of the centers are: the provision of health care services, including preventive and curative medicine, vaccination, primary health care, reproductive health care for mother and children and other basic services; and, important education, training and social services, such as programmes aimed at the elimination of adult illiteracy, training of women in the management of small enterprises, home management, income-generating activities together with the provision of day-care facilities for working women and children of large and poor families. 25 development services centers were operational mid-1998. The plan is to establish eighty-six such centers with 208 branches.

The Ministry of Social Affairs is entrusted with the implementation of a support programme to ensure the rights of disabled persons. Disabled persons have issued special identity cards, which allow them to benefit from public social services in their area. These include general medical care and the provision of equipment such as wheelchairs, crutches, medical shoes and the like. One important aim of the programme is to provide to all disabled persons total cost coverage of medical expenses. The Ministry published in 1998 a directory of medical and social services provided by the public and private sectors for the disabled. Other smaller scale activities of the Ministry of Social Affairs are the establishment of two centers targeting children with delinquent tendencies, the organization of annual volunteer camps for children and youth, and the organization of a number of social seminars targeting women and the poor. In most of this work, the Ministry of Social Affairs elicits the cooperation of national and local NGOs.

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With respect to housing, initial private sector developments targeted mainly the luxury-housing segment aimed mainly at rich Lebanese and Gulf countries' citizens, and hence were beyond the means of the average Lebanese. The accumulation of a stock of tens of thousands of units, due to slack demand for this type of housing, led to a slump in the sector. Around the mid-1990s, the government started to address the situation and first reactivated the Housing Bank, which caters to the middle segment of the market, on the one hand, and facilitated international lending for housing acquisition through commercial banks, on the other. The latter sector has rapidly developed in recent years in an increasingly competitive environment. Limited resources were also made available for housing acquisition by low-income families, notably through the reconstituted Public Housing Institution. Plans have been readied for the construction of 10,000 units on public estates in different regions of the country (designed for low and middle-income groups), with a provision to make available to those interested the possibility of obtaining credit at subsidized interest rates for a period up to 20 years. A draft law to this effect was approved by government mid-1998 (it still needs to be passed by Parliament). Finally, Solidere, the company mandated to reconstruct the commercial district of the capital, has been required to devote some of its residential construction to the needs of the middle income groups but the construction of this type of housing in the downtown area is not expected to materialize before several years from now.

An important development of recent years with respect to access to resources – an important determinant of social justice and equity, concerns the establishment and successful operation of micro-credit programmes,

particularly those targeting poor women. Most recently, a few donors have made available resources for small-scale loans (from US\$ 2,000 up to US\$ 10,000), in cooperation with the commercial banking sector. The availability and access of capital for small-scale economic activities is at the basis of a large part of local activity and of successful regional development programmes. In this connection, the efforts of the national authorities to establish a national institution to guarantee small and medium loans are noted.

### 3. Sustainability

To deal with the important problems of environmental degradation, a Ministry of Environment was created in 1993. Notwithstanding the limited capacity, the Ministry has attended to pressing environmental problems. Operating in harmony and in cooperation with NGOs, major progress was achieved in raising awareness and spreading knowledge about the situation of the environment. To remedy capacity constraints in the Ministry and in the sector as a whole, priority has been given to environmental management development. A new code to protect the environment was prepared by the Ministry and submitted for consideration and approval of Parliament in 1997. It includes clauses that would force new business and construction projects to carry out an environmental impact assessment, impose fines and fees on polluters, and offer incentives for those adopting environmentally friendly methods. The Ministry has also supported and promoted the introduction and application of environmental impact assessment as well as the establishment and development network of measurements and monitoring of resources. The Ministry issued various decrees to protect the environment, including the organization of quarries, the organization of hunting to preserve the species, prohibiting imports of asbestos, the organization of imports of plastic waste according to lists approved by the European Union, the monitoring and control of waste dump sites and landfills, and the classification of certain sites as natural reserves. Application and enforcement of these decrees, notably the one on quarries, unfortunately remains incomplete, however. It is noted that important action towards improved solid waste management in Beirut and different regions of the country was achieved in recent years; even so, much remains to be done in this area, particularly with respect to recycling and processing of household waste.

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Lebanon signed and ratified the main international conventions adopted at and since the Earth Summit in 1992.<sup>5</sup> The Ministry of Environment has started important work, in cooperation with stakeholders, to define how Lebanon will meet its international obligations under these conventions (in the areas of climate change, protection of the ozone layer, biodiversity, combating desertification, etc.). Programmes of action in each of these areas have started with support from international organizations managed through UNDP.

The Ministries of Environment and of Agriculture set a goal to increase the forestry area from 7 percent to 20 percent of the territory, and launched a five-year plan to achieve this goal. Fines are now imposed on cutting trees and overgrazing that could lead to imprisonment. However, a national plan to combat forest fires has yet to be implemented. French assistance to the Ministry of Agriculture for training cadres to combat forest fires and for the purchase of some urgently needed equipment is in process of implementation.

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<sup>5</sup> UN Framework Convention on Climate Change (1994), Convention on Biological Diversity (1994), Montreal Protocol (1995), Convention to Combat Desertification (1995), and Amendment to the Barcelona Convention of 1975 (1996).

There has been a flurry of activities at the community level through implementation of small-scale projects, including mainly solid waste management improvements, information and awareness raising, assistance to small farmers, and environmental education (to be introduced in school curricula by the year 2000).

#### **4. Empowerment and participation**

There can be no doubt that the respect for human rights and a predictable and reliable legal system are of essence for good governance and democratization. Of no less importance is the presence of a public administration capable of efficiently discharging its essential functions, among which responding in an efficient manner to the needs of the citizens. As of 1992, efforts were deployed towards the formulation of a national administrative rehabilitation programme and the formulation of a strategy to reform and modernize the public sector. Implementation of the former did not start until the middle of the 1990s and has focused essentially on the modernization and simplification of work methods and the introduction of modern office and information technology packages along with staff training on office productivity tools. Progress has been less than expected, particularly as political commitment was lacking and as, in recent years, there was an increasing shift in priorities with considerations of reform becoming a matter of urgency so as to preserve the benefits of reconstruction. Considerable preparatory work for administrative reform has been completed, including with respect to the revision of organizational mandate and structure of government institutions and the revision of human resources management systems and frameworks. One notable example relates to the preparation of a consolidated salary scale for public servants (approved in 1998 for implementation). Also, much preparatory work has been completed to prepare for, and evaluate and consider alternatives for the institutional development of basic public services (electricity, telephone and water supply), including options for the introduction of private sector management and full privatization.

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**“There can be no doubt that the respect for human rights and a predictable and reliable legal system are of essence for good governance and democratization. Of no less importance is the presence of a public administration capable of efficiently discharging its essential functions, among which responding in an efficient manner to the needs of the citizens”**

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In addition to good governance, a critical component of long-term development is the creation of a climate and the strengthening of capacity for constructive interaction between government and civil society. This implies empowerment of individuals, groups and communities, and enabling their participation in development.

Two parliamentary elections took place in the past six years, reconfirming the commitment of government to democratic principles. The first took place in 1992 where participation was relatively limited and the second in 1996 with a considerably increased public participation.

Municipal elections took place in May 1998, after a hiatus of 35 years. The organization of local elections was a particularly important event as they are expected to greatly contribute to the democratic process and to reactivate community and socio-economic life at the local level. It is important that the issue of decentralization is will now be addressed by the government. Decentralization would stimulate local and regional participation and decision making, thereby improving the accountability and legitimacy of government.

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**“Two parliamentary elections took place in the past six years, reconfirming the commitment of government to democratic principles... Municipal elections took place in May 1998, after a hiatus of 35 years... and are expected to greatly contribute to the democratic process, to boost local government activities, and to reactivate**

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**community and social life at the local level.”**

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As a result of the prolonged disruption in legislative activities, there was an urgent need update national laws to ratify international conventions and. To date, most international conventions have been ratified by Lebanon, including the Convention on Rights of the Child (ratified in 1991) and the Convention on the Elimination of all Forms of Discrimination Against Women (ratified in July 1996)<sup>6</sup>. The Ministry of Justice established a Committee for the Modernization of Laws that has been active in fulfilling its mandate. In the area of women's rights, for example, the commission's work has resulted in the abolishment of some archaic laws such as those that barred women from conducting business without prior consent of their spouses, from signing life insurance contracts or from testifying in cases related to property rights. The government has repeatedly stated its commitment to work towards the elimination of all discrimination against women.

A major asset of the country is the presence of a wide variety of civil society organizations, which have developed scores of initiatives and activities at different levels. More efforts are to be deployed to devise approaches, arrangements and mechanisms that will enable civil society organizations to act as powerful levers on policy formulation and decision making in the public sector. Specific and priority attention is to be given to the subject of participation of women in public life and in the development process, at decision-making levels. One promising avenue with respect to the participatory process is the programme of cooperation to promote Parliament-civil society dialogue initiated in 1997 with donor support.

In recent years, there have been efforts by both Parliament and government to encourage Lebanese emigrants to return to the country and to participate in the recovery process. To be successful, a number of basic considerations are to be fulfilled within the context of a coherent and focused programme, however. UNDP has extended limited support through the project of Transfer of Knowledge Through Expatriate Nationals (TOKTEN), which has met with increasing interest. Lebanese expatriates are offered to undertake short-term assignments in Lebanon.

#### **IV. THE INDICES OF HUMAN DEVELOPMENT**

The outcome of the above achievements and shortcomings in the reconstruction and development efforts of the past years was a rise in the human development level, as measured by the Human Development Index. In the last years of the war, the HDI fell from 0.735 in 1986, the first year it was first calculated by UNDP, to 0.561 in 1989, the lowest level registered for Lebanon. Subsequently, the index rose hesitantly to 0.664 in 1993 and substantially to 0.794 and 0.796 in 1994 and 1995, respectively. The rank of Lebanon according to the HDI fell from 61<sup>st</sup> in 1986 (among 130 countries) to 103<sup>rd</sup> in 1991 (among 173 countries). It rose sharply to 65<sup>th</sup> in 1994 and 66<sup>th</sup> in 1995 (among 175 countries and 174 countries, respectively). (Table 2).

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<sup>6</sup> Parliament had a few reservations on this Convention relating to the transmission of citizenship through the mother, the equality in custodian rights and responsibilities between parents, the woman's right to choose the family surname, and the provision in the Convention referring all disputes on the explanation of the articles of the Convention to the International Court of Justice. The essential part of these reservations has to do with provisions that are in conflict with national civil status laws.

For the purpose of the report, the HDI was recalculated from 1993 onwards using recent national data (these estimates are not comparable to those of earlier years since they use a new data set). As seen also from Table 2, Lebanon made a steady progress in both the level and rank of HDI during the 1993-1996 period.

**Table 2: Lebanon, Human Development Index value and rank, 1985-1996**

| Year    | Human Development Reports,<br>1985-1995 |          | Recent national data, 1993- 1996 |          |
|---------|---|----------|----------------------------------|----------|
|         | HDI value                               | HDI rank | HDI value <sup>7</sup>           | HDI rank |
| 1987    | 0.735                                   | 62/130   |                                  |          |
| 1985-88 | 0.592                                   | 88/160   |                                  |          |
| 1989    | 0.561                                   | 89/160   |                                  |          |
| 1990    | 0.565                                   | 102/173  |                                  |          |
| 1991    | 0.600                                   | 103/173  |                                  |          |
| 1992    | 0.675                                   | 101/174  |                                  |          |
| 1993    | 0.664                                   | 97/174   | 0.701                            | 84/174   |
| 1994    | 0.794                                   | 65/175   | 0.722                            | 80/175   |
| 1995    | 0.796                                   | 66/174   | 0.742                            | 77/174   |
| 1996    | -                                       | -        | 0.782                            | 70/175   |

Source: UNDP (1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997b and 1998); and, estimates by MADMA on the basis of national data (1993-96)

At the end of the war, in the early nineties, the human development situation represented by the HDI clearly showed the effects of the economic decline, which occurred in the decade following the year 1982. The economic growth performance of the nineties has resulted in recapturing some ground, but it will take considerable time and sustained efforts for Lebanon to regain this lost ground. Therefore, it is essential to achieve sustained high rates of growth. The three other components of the HDI, reflecting the social dimension, had resisted better and were still at a comparatively high level at the end of the war. Indeed, the situation of Lebanon in these respects was generally better than of its immediate neighbours and Arab countries in general – and even compared favourably with countries in the high human development group.

Changes in the HDI for the 1992-97 period thus resulted mainly from increases in GDP - because of the robust economic recovery - rather than from variations in the other three components of the index. The

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<sup>7</sup> For HDI values: per capita income (US\$PPP) obtained from UNDP. Gross enrollment rates and illiteracy rates estimated on basis of data for 1996 in Lebanon: Ministry of Social Affairs and UNFPA (1996). Rank obtained by straight line regression of ranks on HDI (1990-1995).

slowdown in the rate of growth of income in recent years, therefore, is likely to slow down the progress in the improvement in the value and rank of the HDI.

### Charts 3 (HDI)

The HDI situation of the country in 1998 is near the top of the medium human development group, and compares favourably with neighbouring countries, except Cyprus, which ranks near the top of the high human development group. As indicated, future improvements will come in the first place from economic growth. The achievement of high economic growth should not detract, of course, from further improving the social dimension of human development. Focused action to fully meet the basic needs of all the population with respect to education, skills development, primary health care, shelter, attractive employment, etc., are as well an essential dimension of national development strategy and policies. For it is only by strengthening the human base and expanding opportunities to fully realize the human potential that reconstruction and development of the country can be successful in the longer term. The combined effect of a strong focus on equity, sustainability and empowerment will prove to be a powerful lever for economic growth. As indicated in the previous chapter and as reiterated here, there are indeed strong links between human development and economic development and vice versa (UNDP, 1996).

UNDP developed and introduced in the context of human development approach a number of indices, including GDI, GEM, CPM and HPI (see Chapter Human Development and Economic Development). Data concerning these indices are reproduced in Table 3. For the 1992-1995 period, they are based on the Human Development Reports and for the year 1996, they are based on recent national data (again, the latter estimates are not comparable to those of earlier years since they use a new data set). These indicators reveal the country situation with respect to important dimensions of human development. Two aspects are highlighted. First, the rather sorry state of gender empowerment at decision-making levels, particularly taking into account the comparatively high levels of female enrolment and graduates at the tertiary level. Second, with respect to human poverty, there is a rather satisfactory situation as expressed by the HPI. Only a relatively small percentage of people in the country lack the essential human capabilities to seize opportunities and realize their potential.

**Table 3: Value and rank of GDI, GEM, CPM and HPI, 1992-1996**

| Year | GDI   |        | GEM   |         | CPM   |        | HPI   |
|------|-------|--------|-------|---------|-------|--------|-------|
|      | Value | Rank   | Value | Rank    | Value | Rank   | Value |
| 1992 | 0.662 | 65/130 | 0.212 | 103/116 | -     | -      | -     |
| 1993 | 0.615 | 77/137 | -     | -       | 24.9  | 36/101 | -     |
| 1994 | 0.708 | 66/146 | -     | -       | -     | -      | -     |
| 1995 | 0.707 | 68/163 | -     | -       | -     | -      | -     |
| 1996 | 0.659 | ...    | 0.269 | ...     | 11.7  | ...    | 10.9  |

Source: UNDP (1995, 1996, 1997b, 1998); and, estimates for the year 1996 by MADMA on the basis of recent national data

It is strongly recommended that a full-fledged review and analysis be undertaken of the different human development indices, including at sub-national (regional) level. Also, systematic monitoring and evaluation of the human development situation through the establishment of a national human development database is recommended.

## V. CONCLUSION

The economic recovery, which started in earnest in 1992, has been generally successful considering the magnitude of destruction in relation to national income and the absence of massive international assistance (as has been promised repeatedly by the Arab and international community during the war period and its immediate aftermath). Among the great achievements of the past years are the stabilization of the currency, the control of inflation and the re-establishment and strengthening of the trust of the international financial community in the prospects of the economy and the country in general. Salient achievements have also been made with respect to the rehabilitation and development of the basic infrastructure and the restoration of public services. The achievement of sustained high rate of economic growth remains a strategic objective.

Control and reduction of the public debt and the deficit in the government budget, which have reached dangerous levels, must receive highest priority in the short-term economic policy of the government. A plan to gradually reduce and eventually eliminate the budget deficit needs to be formulated by the government and approved by Parliament so as to take force of law. The effects of such effort would be greatly reinforced by the implementation of a far-reaching programme of administrative reform that, on the one hand, would strengthen in a major way the oversight and control functions of government and, on the other, would include privatization of public infrastructure and services within a well defined framework and properly developed mechanisms.

To control the budget deficit should not be at the expense of productive investment. Every effort should be made to stimulate the economy, through productive public investment and, above all, through the stimulation of the private sector.

The massive reconstruction effort has proceeded in the absence of a publicly approved plan with defined assumptions and clear goals, setting an overall reconstruction strategy and outlining sector and project priorities, and a financing programme including a borrowing strategy. The need for such a plan is paramount, even at this advanced stage in the reconstruction effort.

The emphasis of the reconstruction and development efforts has been on rebuilding the physical infrastructure and less so on the human resources, the institutional capacity and the broad social aspects of development. This imbalance needs to be redressed, sooner rather than later. This implies, among others, increased efforts to redress the distribution of income and towards the elimination of poverty, more emphasis on the development of outlying rural areas, programmes aimed at the more vulnerable groups in society and greater attention paid to the environment.

In brief, there is an urgent need for increased emphasis on a human development approach so that the considerable achievements made so far in the reconstruction of the country will have a wider impact on the lives of the people and be sustainable in the long run. Such an effort must involve all sectors of society, in a concerted manner, including government, the private sector and the non-governmental organizations as well as the widest participation of the population at large.