

Paris Conference - CEDRE

Concept Note

February 2018

Peace and stability in Lebanon are essential for the country and the whole region. For the last five years, Lebanon has faced important threats, impeding its economic and human development. Lebanon needs the full support of the international community, at a crucial juncture, when the country is getting back on its feet.

1. Background

Recent developments in Lebanon are positive. The Lebanese have elected a president, formed a national unity government where all political parties are represented, thereby, putting the institutions back on track. The government and the Parliament adopted a new electoral law and approved the 2017 budget for the first time in 12 years. The Prime minister intends to submit the 2018 budget to the Parliament by the end of the first quarter. Parliamentary elections will take place in May.

Despite favorable recent developments, Lebanon continues to face fragilities and mounting challenges, that were compounded by the war in Syria and the Syrians displaced crisis. The economic recovery and long term development are hindered by structural problems: high fiscal deficit (around 10 % of GDP) and high level of public debt (around 150 %), which are impediments to infrastructure development. The GDP growth rate remains low. Slow growth in the Gulf and low oil prices have also affected remittances and FDI. Lebanese exports dropped by one third since the start of the crisis in Syria.

To stabilize the economy and pave the way for a sustainable development, fostering investment and growth, creating job opportunities, reducing poverty, and mitigating the impact of the Syrian displaced crisis, while maintaining fiscal and monetary stability remain the key objectives of the Lebanese government.

The conflict in Syria and the associated displaced influx have severely affected the Lebanese economy, infrastructure and social sectors. Unemployment, particularly among the youth, has doubled. This is an enormous challenge for Lebanon – how to create jobs for these youth – and how to reduce the potential for radicalization of the youth. Moreover, social discontent in Lebanon is rising as competition for services, space, jobs and resources increases.

At the Brussels conference on "the future of Syria and the region" last April, the Prime Minister of Lebanon presented a vision for stabilization and development and announced a “Capital Investment Plan for Stabilization and Development of Lebanon”. Job creation is the objective of this plan and infrastructure development is the vehicle.

Given Lebanon's high debt levels, concessional financing and private investment are the best instruments to invest in infrastructure and create jobs along with the implementation of a consistent budgetary and fiscal adjustment program.

Lebanon is committed to continue to provide the world a public good by hosting the Syrians displaced and refugees- until the conditions are met for a safe, dignified and non-coercive UN-facilitated return to their home country Syria.

Lebanon is also committed to stabilize the country and implement a structural reform program, in order to deliver essential services, reinforce its infrastructure in a sustainable manner, improve the business climate and strengthen macroeconomic stability.

Against this background, France has proposed to host in Paris an investment conference in support of Lebanon, as an important neighborhood country.

2. Objective of CEDREconference (Conférence économique pour le développement, par les réformes et avec les entreprises; Economic Conference for Development through Reforms, with the Private sector)

The key objective of the Paris conference is to support and further reinforce Lebanon's **economic stability** by supporting the structural reform program of the government, and foster economic growth and the creation of much needed job opportunities, through the allocation of funding for the projects as outlined in Lebanon's capital investment program (CIP). This can be achieved through:

1. Presenting Lebanon's CIP and reforms program to the international community
2. Identifying and allocating to Lebanon enough resources to fund its CIP
3. Encouraging the private sector to participate in infrastructure projects through PPP modalities

3. Attendees

1. Ministers, representatives of governments
2. Representatives of World Bank IMF, and Multilateral Development Banks and institutions

4. Documentation to be presented at the conference

Document 1–Government of Lebanon Paper

The Lebanese government will present to the conference a comprehensive vision for jumpstarting growth and creating jobs, including structural and sectoral reform measures that will be implemented to maximize the impact of the CIP on the economy and anchor macroeconomic stability.

Document 2 - Capital Investment Program

The CIP will be presented as a stand-alone document. The document will elaborate on the rationale for the CIP and its objectives. In addition to the sectoral distribution, the full list of projects will also be included. The CIP will be implemented over 8 years, in two phases, phase 1 and phase 2, and covers sectors such as transport, water, wastewater, solid waste, telecom, electricity and preservation of historical cultural and touristic sites. 60 percent of the projects under the CIP are national projects, and the remaining are at the (regional) mouhafaza level.

Document 3: Assessment of the CIP and suggested sectoral reform by the World Bank

Document 4 : Macroeconomic framework note by IMF

The authorities have asked the IMF to run a macro fiscal framework simulation to assess the impact of the CIP on the different economic indicators and to propose macro fiscal structural reforms, including in the debt management

Document 5: Government of Lebanon vision for the productive sectors (Scope of work and methodology of the McKinsey Study).

5. Follow up post CEDRE

Regular and frequent follow-up meetings at the level of senior civil servants from capitals and head quarters will be organized to assess the progress made in implementation of the results of the conference in the fields of reforms and projects as well as financial flows from partners. These meetings will take place alternatively in Lebanon and in partner countries.

6- Scheduling

The CEDRE ministerial conference will take place in Paris on April 6, 2018.

The CEDRE conference will be preceded by a high level preparatory meeting (HLM) which will take place in Paris on March, 26th.

Prior to the HLM, two preparatory meetings will take place in Lebanon on a sectoral base, one committed to the civil society organized by UNRCO with the Lebanese authorities and one committed to the private sector, especially with the participation of private companies.