

## German Lebanese Forum on Cooperation and Development

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**From the 18<sup>th</sup> until the 21<sup>st</sup> of March 2023, the Konrad Adenauer Foundation Lebanon office hosted the German delegation around German parliamentarian Paul Ziemiak for a two-day conference in Beirut, Lebanon.**

The delegation, which was made up of 22 representatives from the political, corporate, academic and civil society fields, partook in discussions with Lebanese stakeholders regarding the current crisis in Lebanon, its challenges for German-Lebanese collaboration as well possible ways to overcome them by strengthening German-Lebanese collaboration and partnerships. The delegation visit was framed by field visits to local businesses, a meeting with Lebanon's caretaker prime minister as well as briefings by the UNHCR, UNDP and the German ambassador to Lebanon. A summary of the main points and findings from the forum is provided below with the aim of stimulating further dialogue, partnerships and projects that will contribute to furthering German-Lebanese partnerships in the future.

### Current Situation in Lebanon and Possible Approaches Towards Solutions

#### On a political level:

- Virtually all participants agreed that Lebanon's problems are of political nature and attest to the unwillingness of the country's political elite to strive for substantial democratic reform and system change as this would mean they would have to give up on self-serving benefits and their own positions of power.
- In November 2022, Lebanon entered a so-called "double executive vacancy" (president and government). The current Lebanese caretaker government is challenged to fulfill tasks that go beyond simple day-to-day affairs. A discussion took place regarding the extent to which the current government can or should assume powers of the president. There was a consensus, however, that a president is needed and must be elected to steer crucial reforms.
- While in 2022, a staff level agreement with the IMF has been reached, none of the key structural reforms needed to unlock around \$3bn have been implemented so far. Instead there is concern that the political ruling elite is betting on a shadow plan and "lirafication" of funds currently locked in USD saving accounts in Lebanese banks, thus placing the burden of the losses on depositors. Private sector members furthermore noted that they look favorable towards the IMF deal not only because of the unlocking of funds but because of the control and accountability mechanisms that come with it.
- Lebanon has a bad track record of postponing elections. Municipal elections were originally set to take place in 2022 but were postponed until May 2023. The German ambassador to Lebanon Andreas Kindl stated that a further delay in holding elections might result in "the collapse of the system as municipal decision makers will be removed on a country-wide scale and vital administrative tasks discontinued."
- The economic crisis has hit municipalities badly. As their budget is almost zero they cannot perform basic services anymore and employees, whose salaries have shrunken to an equivalent of 20\$/month, are leaving for jobs in the private sector.
- Repeatedly blocked and stalling investigations into the August 2020 Beirut port blast as well as crime and corruption allegations against Lebanese central bank chief Riad Salameh leave little trust in Lebanon's judicial system and mechanisms of accountability.

### Approaches towards possible solutions and ways for collaboration:

- Some participants advocated for the strengthening of trustworthy parliamentarians, ministries and state institutions. A focus should be put on those segments that are showing willingness to reform and their efforts should be supported.
- It was suggested that the threat of sanctions (on a unified EU-level if it were possible) against identified individuals may be used as a tool to pressure members of the political elite into compromises and reform. The implementation of broad sanctions on the other hand would only entail negative ramifications for the livelihood of the population as a whole as well as the private sector.
- Judicial mechanism and legal processes to achieve accountability for those responsible for Lebanon's multifold crises should be leveraged and supported to rebuild trust in Lebanese institutions, judiciary and politics on a national and international level.

### On an economic level:

- The de facto bankruptcy of a majority of banks and the dramatic devaluation of the Lebanese lira is unprecedented and has pushed large parts of Lebanese society below the poverty line. Especially the middle class is increasingly fading away.
- Private sector actors have repeatedly expressed their strong disapproval of the unfair taxation system by which small and medium-sized businesses (SME's) are disproportionately burdened and regulated, which in many cases renders them uncompetitive. On the other hand, the beneficiaries of the taxation system are those of the political class and their "deep state" business connections by which 1% owns more than 70% of the national income.
- Other additional regulations were said to mainly impede compliant SME businesses (e.g. when obtaining licenses, import/export regulations, customs, ...), while leaving 70% of the Lebanese market unregulated.
- Hence, the demand for less regulation was voiced repeatedly so as to enable the private sector with its highly skilled workforce and innovative solutions to realize its full potential and help resolve Lebanon's many crises. Criticism was moreover raised regarding the perceived inefficiency and incompetence of the public sector and the lengthy administrative processes, all the while public sector employees' salaries are paid with corporate tax money. On the other hand, while public sector actors said that "the genuine private sector" should be encouraged, concern was raised that less regulation will lead to loopholes and abuse by those who are looking to make "easy money".
- As the cash economy replaces Lebanon's once-lauded banking sector, some have called Lebanon a nascent "narco-state", pointing towards its flourishing shadow economy that enables illicit activities and transactions while increasingly undermining the country's security.
- The defect banking sector but also the instability of electricity, power supply, internet and telecommunication, amongst others, hampers business operations. Many promising Lebanese start-ups and thus entrepreneurs are moving to countries such as the UAE, which offers them favorable business conditions and an enabling environment for growth and investment.
- Remittances sent by the Lebanese diaspora have become more vital than ever to the livelihood of individuals and families, however the diaspora's distrust in the Lebanese state as a whole is evidenced by the lack of investments made in the country. One participant called Lebanon's current economic model one that is based on "exporting people to send back remittances".

### Approaches towards possible solutions and ways for collaboration:

- The gap should be closed between novel ideas and companies by facilitating innovation, university-company collaborations, start-ups, entrepreneurship education or similar.
- The private sector, in addition to health care and education, were named as important areas to focus on as they are crucial to keep skilled working force in the country and avoid brain drain. Access to financing, markets and capacity building were mentioned as examples to direct efforts.

- Incentivizing the local production of products that are currently imported. The focus should therefore also be on manufacturing and production rather than just the information sector.
- Untapped skills should also be identified among the refugee communities.
- "Circular migration" should be considered as a bridge for knowledge transfer by which Lebanese students receive training and (technical) skills in Germany, which they can put to use and capitalize on back in Lebanon.
- In order to keep skilled labor forces in the country the following points were brought up:
  - o have well-paid salaries in dollar
  - o offer long-term sustainable projects/employment
  - o provide access to jobs abroad via the internet ("virtual migration")
  - o have access to international banking and credit systems
- In order to encourage investment from Lebanese diaspora and others it is first and foremost important to rebuild trust in the banking sector and politics in the country.
- Overall, there was a general consensus that a functioning public sector needs to work hand-in-hand with the private sector in order to create a favorable business environment in the future. Initiatives facilitating such processes should be encouraged.

#### On an energy, resource & environmental level:

- The national electricity provider Électricité du Liban (EDL) collapsed, providing only 1-2 hours of electricity a day to private households. Instead, privately owned diesel-run generators are used to bridge the power outage. Most Lebanese end up paying large parts of their monthly salary on electricity bills. The horrendous energy prices are a major impediment to private sector growth and competitiveness. Economic recovery is thus bound to electricity reforms.
- When it comes to environmental protection, participants noted that serious reforms are needed to protect Lebanon's nature, water reserves, and atmosphere. Especially the private generators lead to air pollution and the energy crisis fueled a cholera outbreak since power is needed to operate sanitary pumps in refugee camps and elsewhere.
- Due to mismanagement in the water sector access to clean water is a major issue too.
- Overuse of pesticides and irrigation with waste-water has polluted farmlands in the Beqaa-Valley which inhibits growth of the agricultural and agribusiness sectors. Due to these practices, amongst others, Lebanese products do not fulfill the required health protection standards for export to the EU and other areas. Meanwhile, agricultural products that could be produced in Lebanon are often imported from abroad by both the private sector as well as international humanitarian organizations.
- Stakeholders remarked that there are known solutions for many of Lebanon's environmental problems, but that the lack of political will due to entangled politics-business relations was once again mentioned as the main obstacle for necessary actions and reforms.

#### Approaches towards possible solutions and ways for collaboration:

- Generally speaking, all investments and innovative solutions that support Lebanon's energy self-sufficiency and sustainable utilization of resource should be encouraged. This especially includes green and renewable energy such as solar panels, which are currently experiencing a boom in Lebanon. While their hasty and unsafe installment has recently also led to problems, the potential for bringing reliable and affordable power to the country is nevertheless great.
- According to some entrepreneurs, support should be extended to the highly skilled members of the private sector and its "clusters of excellency" instead of governmental institutions.
- The creation of a functioning waste management system (including hazardous waste), waste water treatment and desalination facilities were mentioned as long-term future solutions.

- In the past, a waste water treatment plant was funded by the EU. However, due to the lack of trained staff, problems with the plant's maintenance occurred. In order to forestall such issues in the future, participants suggested that internships/traineeships for Lebanese trainees can be offered to obtain the needed technical skills at selected partnering companies and sites in Germany.
- Regulation as well as innovative solutions for environmental protection on a political level are imperative and should be encouraged.

#### On a humanitarian & social level:

- As a large share of Lebanon's society has plunged into poverty, one participant remarked that "Lebanese increasingly come to be looked at as beneficiaries" as more and more citizens are in need of humanitarian aid.
- Since the start of the economic crisis, this has led to heightened social tensions, especially between the Lebanese host and refugee communities. Official numbers estimate that Lebanon hosts around 1,5 million Syrian refugees (in addition to Palestinians and others) while having a Lebanese population of around 4,5 million, making it the country with the largest number of refugees per capita.
- In recent years, humanitarian and development organizations including the GIZ have reacted by extending their programs to also put a strong focus on supporting host communities, however notions such as the one that refugees' aid assistance is higher than the average Lebanese's salary often prevail and spark hostility. UNHCR representative Ivo Freijsen stresses that Lebanese should be met with empathy for their efforts.
- He furthermore noted that there is a direct correlation between growing despair and unregulated migration across the Mediterranean, a path that also more and more Lebanese take.
- Syrian refugees resort to negative coping mechanisms such as accumulating debt or child labor/marriage. In light of the immense suffering and lack of alternatives, also so-called "voluntary" returns to Syria must be seen as a negative coping mechanisms, according to Freijsen.
- Lebanon's active civil society was lauded and support of CSOs was encouraged, not least because time and again they have filled the vacuum left by the state, especially so in times of crisis (e.g. after the Beirut port explosion). It was mentioned, however, that also the civil society sector is not free of corruption and that corresponding accountability mechanisms should thus be in place.

#### Approaches towards possible solutions and ways for collaboration:

- Germany is the second largest donor country to Lebanon and the largest donor of the UNDP. Given the deteriorating situation of refugees in Lebanon as well as a general donor fatigue, UN agencies continue to rely on the support of richer donor countries to stem the tide of humanitarian crises. Particularly in the Syrian case, a political solution that could bring large-scale relief seems far out of reach.
- In individual cases, transnational resettlement programs can help to bring relief. Refugees with in demand professional skills and without working permit in Lebanon can be resettled to countries with respective labor shortages.

#### Best Practices, Lessons Learned, Modes and Models of Collaboration:

In light of the above challenges that were discussed during the conference, participants shared their experiences and success stories of past or ongoing collaboration initiatives as well as crucial success factors that enable fruitful collaboration between Lebanese and German partners:

- One crucial factor for successful German-Lebanese collaboration that was repeatedly brought up is to find a reliable, trusted and passionate partner that is willing to collaborate on eye-level while accepting cultural differences and who is responsive to the needs of people on the ground. The focus should be on finding a good partner first before doing a detailed needs assessment and planning. Projects should be set up in the long-term and recurring on-site visits should take place in order to further a comprehensive understanding of the situation on the ground.

- The BMZ, GIZ or Goethe Institute were mentioned as institutions that can broker partnerships and act as facilitators.
- Especially collaboration on a local level (e.g. municipality partnerships) were mentioned as successful models that do not need to go via the national government.
- Successful projects should be pushed towards growth to ideally serve larger/more diverse communities and create jobs instead of starting many similar smaller projects.
- Collaborative approaches should be furthered as well as mutual support across projects by sharing data, experiences and best practices. Events such as the German-Lebanese Forum for Cooperation and Development should hence continue to take place on a repeated basis in order to strengthen the German-Lebanese partnership and find joint approaches for long-term solutions.

The opinions and points shared in this report are those of the forum's participants and do not necessarily reflect the official policy or position of the Konrad Adenauer Foundation or its Lebanon Office.

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