

From resilience to inaction

Lebanon must fight for a better future

by Annalisa Fedelino <<http://www.executive-magazine.com/author/annalisa-fedelino>>

Lebanon's history has not been short of challenges. The modern Lebanese state is less than a century old, yet it has endured unique experiences unknown to other nations over a much longer history — a 15 year civil war, foreign invasions, sociopolitical and security unrest and, most recently, a major inflow of refugees. Lebanon has survived all of these shocks — on top of others that have created havoc in the rest of the world, like the global financial crisis. And not only has Lebanon survived them, it has done so with a certain flair. In fact, there is no surprise there. This is, after all, what Lebanon's renowned resilience is about.

Confidence in Lebanon's resilience seems to have morphed into an unchallenged sense that problems can wait. But such fortitude can also bring about a sense of complacency and an excessive confidence that things will work out because, one way or another, they always have. This same logic applies to many of Lebanon's outstanding problems. Why worry about the increasing public debt when the past has seen much higher debt to GDP ratios? Why dramatize the current political stalemate since similar episodes have happened before? Or why pass a budget when the country has been managing without one for almost a decade? Confidence in Lebanon's resilience seems to have morphed into an unchallenged sense that problems can wait. Lebanon, after all, will muddle through.

Three notions are at play in this wait and see attitude: that things are not that different this time; that waiting has no costs, as bad days will give way to better ones; and that nothing can be done to expedite their return.

But in reality, this time is different. Lebanon is mired in a regional conflict that transcends its borders and has created an unprecedented shock to its social, political and economic fabric — the 1.1 million registered refugees that have increased its population by one quarter. In the past, Lebanon has bounced back from discrete and time bound shocks, yet this time the shock is prolonged in time and multifaceted in scope.

The second notion, that waiting comes at no cost, is similarly false. Lebanon did very well during 2007–2010, when the economy boomed and real growth averaged more than 9 percent per year. But following the eruption of the civil war in Syria in 2011, average growth has since dropped to about 2 percent. Starting in 2012, primary fiscal deficits — not seen since 2001 — have reemerged. The combination of low growth and primary deficits has fed into the debt dynamics, with the debt to GDP ratio reaching above 140 percent in 2013, and it continues to grow. And high debt is costly: Lebanon spent more than 8 percent of GDP (\$3.8 billion) on interest payments in 2013 alone — about one quarter of total public spending.

Similarly, the lack of fiscal adjustment is costly. For example, since 2011, transfers to the loss-making Électricité du Liban have exceeded 4 percent of GDP. Despite that, electricity provision has remained inefficient and insufficient. There has been a lack of funding for pressing social needs as well as inadequate and decaying infrastructure, constraining Lebanon's growth potential. The cost of inaction therefore matters and is sizeable. It could have been smaller, had the fiscal deterioration stopped, and had reforms — for example, of the electricity sector — taken place and had public money been better spent.

Past resilience should not become an excuse for inaction

Finally, the idea that nothing can be done is also false. At a minimum, now that Parliament extended its mandate, there is a plethora of pending legislation to vote on. It is high time to pass a budget, since the last approved one was in 2005, and the framework law for public–private partnerships, which could jumpstart much needed projects, has been stuck in a parliamentary subcommittee since 2013.

Cabinet has its responsibilities too. A model Exploration and Production Agreement for the oil and gas sector is still pending approval; without it, the close of Lebanon's first offshore licensing round — already postponed five times — will not happen. Also, the long-delayed reform of the electricity sector should be tackled without further delay.

In the current environment of increased uncertainties, doing nothing is not an option for Lebanon. Resilience doesn't mean staying still and waiting for the storm to pass. Resilience is fighting the ongoing storm by taking targeted, effective measures to limit the damage — such as holding regular legislative and executive sessions to pass needed laws. Not doing anything has large costs. Past resilience should not become an excuse for inaction. That is not a good way for a country, especially one of Lebanon's potential, to navigate the current storm and get ready for future ones.

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