

**Speech of Ambassador Angelina Eichhorst
Head of the Delegation of the European Union**

**Workshop of the Progressive Forum of Thoughts
*'The Lebanese Economy: How can challenges be transformed into
opportunities?'***

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Excellencies,
Ladies and gentlemen,
Dear friends,

Thank you for inviting me to share with our views on the challenges currently facing the Lebanese economy, and on how to turn these challenges into opportunities. As the Syrian crisis is affecting Lebanon on a wide range of issue, and as Lebanon is facing deep political polarisation, it may seem untimely to be discussing economic reforms. However, this discussion is particularly important today, when the need for structural changes to the economy and social protection system is further evidenced and exacerbated by the impact of the Syrian crisis.

Let us take a step back and look at the results of the last exhaustive surveys on the living conditions of households that were conducted back in 2004, according to which 28% of the Lebanese resident population was living under the line of poverty. This means that 1 million Lebanese were living with less than US\$ 4 per day. Given the rising inflation and the fact that the economic growth between 2008 and 2010 was mainly

concentrated in the Beirut area, this figure could be even higher today, particularly in the poorest areas of the country, which are also the ones hosting the largest numbers of refugees fleeing the violence in Syria.

Indeed, Lebanon today is providing refuge to over 530,000 people from Syria as registered by UNHCR, and is widely commended for providing protection and assistance to these people in need. However this is also placing increasing strain on the local host communities, already suffering from limited employment facilities and poor levels of public services (education, health, water and electricity). This challenge of the economy to provide fair and sustainable levels to develop an inclusive economy throughout the country has thus been aggravated by the Syrian crisis:

- The *infrastructures* (sewage, water and electricity) that were already deficient, especially in the rural areas, are put under additional stress by the inflow of refugees,
- The *public administration*, which was already struggling with the provision of social services expected by the population, now faces additional people to serve,
- The *unbalanced public* finances and external accounts now face the risk of additional deficits,
- The *high level of unemployment* among the Lebanese and the precariousness of the status of those employed are worsened by the inflows of refugees and by the lack of capacity of the Lebanese institutions to attract investment and regulate the Labour market.

More precise economic data and updated research into the living conditions of households would provide a clearer picture of the impact of the Syrian crisis on the Lebanese economy and on the people living in

Lebanon. In this respect, the EU calls on the Government to provide the required support to the Central Administration of Statistics to continue its important tasks, including measuring the evolutions of the Consumer Price Index.

In fact, since the Association Agreement between the European Union and Lebanon in June 2002, the European Union has been working closely with the Lebanese Government to enhance the capacity of public institutions, for improved policy planning, better public finance management, for the provision of additional and better social services.

The EU-Lebanon Action Plan encapsulates the reforms needed in the fields of public administration, security and justice, public finance management, social services, infrastructures, statistics, SME development, rural and agricultural development – just to mention but a few to respond to the structural issues faced by the Lebanese economy.

Nevertheless, the Lebanese economy continues to show resilience in the face of the challenges enhanced by the Syrian crisis, and even displays areas where opportunities might arise from the crisis.

Indeed, despite the slow-down in the tourism sector and the high end of the real estate sector witnessed during the last years, Lebanon's economy overall has grown by 1.5% in both 2011 and 2012. Imports increased by more than 15% over these two years and by 3.4% if we do not consider imports of oil derivatives. Exports to Syria *officially* increased by 33% and this figure may even be higher. This clearly shows the importance of the demand for basic goods that is addressed to

Lebanese providers, by the presence of the Syrian refugees in Lebanon and by the disruptions of the production and distribution circuits in Syria.

Unfortunately, the surge in imports also shows that the Lebanese manufacturing and agricultural sectors were unable to fully meet this demand. Improving the competitiveness of the Lebanese manufacturing and agricultural sectors, further productive investment and improving more globally the business climate are all the more needed today to seize the economic opportunities and contribute to a more balanced economic development, and to job creation including in the more remote parts of the country.

It is likely that Lebanon's macroeconomic indicators can resist the impact of the current crisis, thanks to the extensive experience of its financial and monetary authorities. We are confident that the authorities will seize the opportunities to respond to the new demands placed on the economy in terms of growth sectors (from ICT and services, the exploration of maritime resources, to more traditional sectors of production and employment such as agriculture) and in terms of demand for better public services. The European Union will continue to support efforts to improve the overall environment of investment and trade in terms of governance, transparency and competitiveness of Lebanon's private sector. While we are today refocusing our programmes on responding to the immediate needs of Lebanon, from coping with the refugee crisis as well as supporting host communities, we remain committed to helping address structural deficiencies and investing into sustainable growth sectors. Our partnership requires efficient institutions to adopt and implement effective policies. We also look forward to pursuing our engagement with the private sector and civil society to ensure that

Lebanon can truly maximise its opportunities, and provide stability and prosperity for generations to come.

Thank you for your attention.