Challenges to Financing Middle Income Countries Facing Crises

Speakers: Sigrid Kaag, Rayya El Hassan, Ferid Berhaj, Erik Solheim and Nasser Saidi

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Lebanon, deeply strained by the impact of the crisis in neighboring Syria, faces challenges but also opportunities in attracting much-needed financial assistance. A major factor in this equation is the presence of at least 1.2 million Syrian refugees. Speakers at a panel discussion organized this morning by the AUB’s Issam Fares Institute for Public Policy and International Affairs and the United Nations highlighted the need for more international assistance but also internal Lebanese reforms to encourage the flow of assistance. Speakers from the UN, the Organization for Economic Cooperation and Development (OECD), the World Bank and Lebanon warned that the socio-economic impact of the Syrian crisis, economic disturbances and governance problems are contributing to the fragility of the country. Moderating the event, IFI’s Director of Research, Dr. Nasser Yassin, stressed the pertinence of the major challenges identified to the specific case of Lebanon.

United Nations Special Coordinator for Lebanon Sigrid Kaag noted the complexity of the situation and questioned the relevance of the parameters of middle-income country status for Lebanon, a country in a region in crisis that is absorbing the largest per capita refugee presence in the world. She highlighted the human rights dimension of this issue and the need for accountability. Examining how to attract long-term investments for Lebanon, Ms. Kaag said, “We need to look at transparency and accountability, which is a Lebanese responsibility; we need to look at political and legal systems and we need an enabling environment to attract foreign investment.” According to the Special Coordinator, “The United Nations is working with traditional and new donors to make sure Lebanon is not forgotten.”

Eric Solheim, Chair of the Development Assistance committee of the OECD said Lebanon faces challenges in putting the nation on the path of quick economic development. According to Solheim, the main keys for financing flows are aide, taxation and private investment, aide being the smallest of the three. Solheim explained that taxation is the real underpinning for health, education, infrastructure and other services, which would be very difficult to develop without a properly managed taxation system. Solheim and most other speakers highlighted the key role that the Lebanese diaspora can play in financing for Lebanon. “The Lebanese diaspora is among the most successful and affluent on the planet,” he said.
The Regional Director of the World Bank for the MENA region, Ferid Belhaj, highlighted the roles and responsibilities on both the Lebanese state and the international community. While there are Lebanese complaints that the international community is not helping as much as it could, Belhaj said problems in Lebanon’s governance system were also delaying some available international help. “The World Bank has $1.1 billion sitting at the table ready to be injected into the Lebanese economy, which would make a difference, but this money is sitting idle because of the governance system,” he said. Noting the pressure exerted by over 1.2 million Syrian refugees on Lebanon’s infrastructure, budget and solidity of its social fabric, Belhaj called for the international community to take that into consideration by increasing the concessional financing to Lebanon for humanitarian but also for development stabilization agendas. Belhaj also proposed that Lebanon tries to find ways to transform the refugee presence from being a liability to an asset for the broader productivity of the country without absorbing the refugees into the country.

Former Lebanese Minister of Finance Rayya El-Hassan called for international concessional funding for Lebanon that is well targeted and that takes into account challenges to Lebanon’s development agenda. Lebanon “lacks a comprehensive development strategy that could be translated into a workable plan,” El-Hassan said. Furthermore, the development impact of a lot of the financing flows to Lebanon has been much diluted. Noting the need for improved donor coordination for Lebanon, El-Hassan also said donor focus should be on intensifying technical policy assistance and advice to Lebanon and help with leveraging private sector funding.

Former Minister of Economy Nasser Saidi, argued that Lebanon was deeply impacted at the political, economic and social levels as a result of what is happening across the region. Saidi said Lebanon was “a regional public good…and a global public good”. “The international community needs to accept and support that through concessional aid and other means,” he said. Saidi presented a series of proposals including to encourage additional assistance from Gulf countries, crowd-funding, looking ahead to a key Lebanon role in post-Syrian conflict reconstruction efforts, the engagement of the private sector in addressing a number of challenges, including job creation, the use of diaspora bonds, the importance of remittances and channeling assistance to the local, municipal level.

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To listen to the full audio recording of the panel discussion, please click here.