

GLOBALIZATION: TOWARDS A LEBANESE AGENDA

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BY YVES DE SAN UNDP RESIDENT REPRESENTATIVE

I am pleased to introduce the third National Human Development Report (NHDR) of Lebanon, the theme of which is “**Globalization: Towards a Lebanese Agenda**”. Reflecting the specific country context, priorities, and aspirations, the report aims to raise public awareness, trigger action on critical human development concerns, and put forward the message that human development is a process of enlarging people’s choices by expanding their capabilities. Within the limited available statistical and analytical knowledge base, the report is an exploration of issues at stake and options for Lebanon, and is intended as a contribution to national debate concerning requirements of a Lebanese development and globalization strategy. The hope is that issues raised will induce further policy research as well as active participatory discussion among Lebanese stakeholders - namely the state, civil society and the private sector - regarding the significance and consequences of a more systematic integration of Lebanon into the global economy. The NHDR and related advocacy of the main findings are expected to also trigger and/or stimulate national policy initiatives and action.

The preparation of the report has not been easy, given the complexity of the subject matter, and limited availability of data and research on globalization and human development in the local context. Rather than offer a comprehensive analysis of the complex linkage of human development and globalization in Lebanon, the NHDR focuses on *selected* crucial aspects for meeting

the challenges raised by globalization on the one hand and benefiting from opportunities offered by it on the other. The NHDR reviews and analyzes “drivers” of globalization (markets, finance, and information and communication technology), exploring their impact on human development and how they can contribute to shaping a new vision for the country. The smooth integration of Lebanon into a rapidly globalizing world will critically hinge on giving increased and sustained priority to human dimensions of development and on strengthening positive linkages with these “drivers.” In particular, the report reviews and emphasizes the priority of investing in human capital, necessary reform of social protection policies, and the new role of the state.

The NHDR comprises much interesting information and many useful insights, providing a platform for dialogue and further work to seek and substantiate answers to the question: does globalization impose a *challenge* to human development - which views individuals as both means and end of development - or does it rather present an *opportunity* for a more equitable and just society? In my view, the process of globalization is in itself neither good nor bad; one does not have to praise or despise it. Nevertheless, I would single out *governance* as a key element in successful national outcomes of globalization and what each of us will make of it.

w This NHDR “**Globalization: Towards a Lebanese Agenda**” in **Chapter one** reviews the concept of human development and the

situation in Lebanon using the standard human development indices, which for the first time have been calculated for the country at the sub-national level.

wChapter two introduces the concept of globalization and emphasizes the historical openness of the Lebanese economy and society to the world and their links to a variety of international networks. Lebanon has been to a great extent, by aspiration or necessity, an early globalizer, a largely plural and open society, and through the emigration of thousands of its people, the centre of one of the first global communities. Yet, the country needs to reengineer itself to fully benefit from and operate in a modern global mode.

wChapter three reviews and analyzes constraints and issues that challenge Lebanese firms as they seek to become more competitive and penetrate new markets. The importance of sustained and comprehensive support for small business development is discussed; national initiatives and approaches to integrate the Lebanese economy into world markets are examined; and success factors for joining regional and global trade arrangements are highlighted, as is Lebanon's quest for a renewed regional role.

wChapter four highlights the strengths of the Lebanese financial sector and examines the elements within it that threaten sustainable human development. The sub-national and social distribution of credit is reviewed and nascent micro-credit initia-

tives to meet the financial needs of the poor and lower income groups are examined. The final section of the chapter sheds light on the paradox of limited investment amidst the abundant finance available in the country, as combined effects of the regional and national environments have radically distorted market indicators and created significant gaps between the Lebanese and world economies.

wChapter five examines the status and possibilities of the information and communication technology sector and its potential contribution to human development in Lebanon. The country's advantages in information and communication technology are presented, with a reflection on how Lebanese can leverage these to meet the challenges of globalization as the level and pace of global flows in physical and intangible assets are dramatically boosted by the ability to create vast networks across geographic boundaries at negligible marginal cost. The chapter also examines the impact of globalization and information and communication technology on local culture and media and cultural products.

wChapter six reviews the priority of continued investment in human capital for Lebanon to successfully integrate into the globalizing world. The chapter examines access to and quality of education and a number of determinants underlying a successful education system, highlighting weaknesses and strengths, and suggesting means of adaptation. Among the factors considered are youth orientation, research

and development, information and communication technology and access to knowledge, and building Lebanon's linguistic capital. The final section of the chapter reviews the future role of the state in education.

WChapter seven discusses issues of social protection in light of current public policy reform. The chapter presents the foundation for a comprehensive social policy for Lebanon as globalization leads societies and social partners around the world to reconsider ethical, legal, political and economic foundations of social policy. Government spending in education, health, and social welfare are reviewed, with a specific focus on the national health protection system and an examination of social protection against retirement risks. The chapter ends by considering the role of the state and social partners in designing and implementing social policies in a rapidly globalizing world.

WChapter eight discusses the role of the government in facing the challenges and changes brought on by globalization. Sound financial policies and economic expertise are not sufficient accompaniments to globalization-related reforms and dismantling of economic boundaries. Rule of law in a democratic framework is also a major requirement for any state to face global issues. Hence, the new role of the state and the process of reform also have to include activation and modernization of the legislative and the judicial branches of government, while examining the human rights

record of each state and its obligation to internally enforce relevant international conventions.

National Human Development Reports promote and support human development at the national level. This NHDR is a contribution to confronting the challenges of development in Lebanon and achieving its aspirations for human development. This Report should be seen as contributing to a process that targets a sustained dialogue. Development debates on subjects addressed in the report should lead to initiatives and action towards strengthening human development dimensions of the integration of Lebanon into a rapidly globalizing world. Such debates should culminate in national seminars on aspects of the subject, in order to build consensus and stimulate and guide initiatives and actions. Further activity should be conceived under an inclusive approach, providing opportunities to strengthen the linkages and interaction of the public sector with the private sector on the one hand and civil society on the other. UNDP as a champion of human development is committed to moving the process forward towards achieving the ultimate goal of human development in Lebanon: a better life for its entire people.

Yves de San

UNDP Resident Representative

July 2002

The 2001-2002 National Human Development Report for Lebanon is an initiative of the United Nations Development Programme (UNDP) in cooperation with the Council for Development and Reconstruction (CDR), its national counterpart.

The NHDR strives to present independent review and objective analysis of statistical and other relevant data, and applies the human development perspective to priority national concerns and emerging challenges. The NHDR, through its preparatory and follow-up processes, focuses primarily on national policy formulation and on consensus building among national stakeholders. Throughout the process, national dialogue has been promoted through active involvement of national development specialists, extensive consultations with key stakeholder groups and informal networking.

The preparation of the NHDR was initiated in May 2000 and the draft report was completed in September 2001. The data in the report are those that were available at the end of the year 2000.

Salim Nasr, General Director, Lebanese Centre for Policy Studies (LCPS), was the **National Coordinator** for the preparation of the report with support from national experts. The National Coordinator developed the annotated outline, coordinated the preparation of the background papers and the consultations with stakeholders and development partners of different public institutions, civil society organizations and the private sector, and prepared the draft report, ensuring coherence and consistency. National experts were assigned to write papers on subjects relating to the theme of the report. The background papers provided useful material for documenting the corresponding chapters of the report. They were prepared by **Adnan Al-Amin, Georges Assaf, Antoine Haddad, Raymond Houry, Roger Melki, Charbel Nahas, Salim Nasr, and Maude Stephan**, as well as **Rasha Kashkoush**.

The publication of the NHDR itself is the centerpiece of a dynamic process that involves participatory preparation, extensive dissemination and advocacy, sustained follow-up and monitoring of impact. Within this context, a process of awareness raising and consensus building about globalization and human development issues has been actively pursued.

In September and October 2000, a series of six in-house workshops was organized at LCPS, each involving fifteen national specialists in an attempt to better understand the subject matter and issues involved. Subsequently, the National Coordinator continued bilateral consultations.

Also, UNDP contributed to a number of initiatives in the form of substantive presentations and support for conferences and seminars. Among others, a series of information meetings and thematic roundtables was launched in mid-2001, including roundtables on aspects of globalization – the perspective of human development; information and communication technology; and, governance. One salient conclusion of these meetings has been the need for increased and enhanced dialogue between national decision makers and different actors in the public sphere on the one hand and the many different actors in civil society, the private sector and the media on the other.

Special thanks go to all the cooperating ministries and other public agencies and institutions for the time afforded in consultations and for the data and information supplied to members of the team. Thanks also to the civil society organizations, private sector specialists, and UN System organizations in Beirut that offered information and contributed ideas emanating from their wide experience in the field. Special thanks for contributions to the report in terms of information, ideas and/or comments on the draft are due to Jihad Azhour, Moez Doraid, Asma Kurdahi, Hala Naufal, Rola Rizk, Hala Makarem Saab,

Zina Sanyoura and Tania Zaroubi. At LCPS, Lina Ghossoub contributed to the coordination and consultation process; Mona Harb contributed to the substantive editing of the report; and, Badra Alawa, Ayman Mackie, Dima Sader, and Samar Sawayya were involved in preparing data and information and providing research support for the preparation of the report. The UNDP Sub-Regional Resource Facility for Arab States (SURF-AS) contributed in reviewing the final draft of the report.

Riad al-Khouri, consultant, undertook editing, including substantive editing of the Overview.

Thanks also go to Soha Bsat Boustani, UNDP, for managing the artistic production of the report and to One-Off for the graphic design and layout of the report.

The Steering Committee, led by the President of CDR, Jamal A.R. Itani, and previously Mahmoud Osman, and the Resident Representative of UNDP, Yves de San, provided general direction and oversight, and was assisted by a Joint CDR/UNDP Committee entrusted with guiding, supporting and monitoring the progress of the report preparation, including reviewing and commenting on the different drafts. The Joint Committee was chaired by Basheer Mounla, Director of Programmes, and previously Ali Serhal, and consisted of Amal Karaki and Ghazi Osseiran (representing CDR), and Randa Aboulhosn and Christian De Clercq (representing UNDP). The latter, as Project Manager, steered and facilitated the NHDR process, providing advice and technical support from the initial development of the concept paper and resource mobilization through the substantive review of the drafts of the different chapters and the finalization of the draft report and its publication. Throughout, Michèle Abou-Saad provided administrative and secretarial assistance to the Joint Committee, processed the first and final drafts, and assisted in the production of the report.

The CDR and the UNDP Lebanon Country Office and Regional Bureau for Arab States (RBAS) provided the financial resources for the preparation of the report, which is gratefully acknowledged. The RBAS support was implemented through the UN Department for Economic and Social Affairs (UNDESA), the support and cooperation of which have been much appreciated.

The report is designed in an attractive manner in order to be of interest to the widest readership possible. First, the Overview is intended to give a summary of the contents of the report and the areas in which action seems to be needed. Second, in each chapter of the report a number of sentences are highlighted separately from the text and in bold letters so as to give a quick idea of the contents of the chapter. Third, boxes provide details on a specific aspect, introduce a new idea, or reveal good practice and successful experience. Finally, the main text of the report is intended as a reference document.

The views and opinions presented in this report are not necessarily those of the United Nations Development Programme (UNDP) or the Council for Development and Reconstruction (CDR).

People - men and women, individuals and groups - are the main asset and the real wealth of Lebanon. They have weathered many challenges in the past few decades - but what about the firestorm of change that has swept the globe since the early nineties? To confront and manage the challenges of globalization, there needs to be a new focus on people. The prospects for human development in an increasingly integrated and interdependent world hinge in many ways on the ability of the people and on the country to adapt to fast changing conditions.

Some achievements amidst great challenges

As Lebanon is increasingly faced with the challenges of globalization, the country's human development presents various positive elements, albeit in a mixed overall context. In the face of daunting internal and external challenges, Lebanon has done rather well with respect to human development in the past decade, thanks partly to some unique advantages it enjoys over many neighbors. However, with the challenges of globalization becoming increasingly urgent, much more needs to be done. This will be to both shield Lebanon from globalization's more disruptive effects and as well to allow the country to make the best of integration into the global order.

The Human Development Index (HDI) is the core indicator of human development; it expresses *achievements in three basic dimensions* (to have a long and healthy life, to be knowledgeable, to enjoy a decent standard of living). In 1999, the latest year for which data is available, the HDI for Lebanon was in the upper middle of the medium human development group (0.758) - a fair achievement compared to other Arab countries and to the average for the developing world. However, Lebanon must do better to cope with globalization. To avoid stagnation and reach higher development levels, the government must strive to enhance human development, that is

to enlarge the choices people have to lead lives that they value. This implies priority for developing human capabilities, in particular through education, for governance in the public and private sectors and for technology-based investment. It also implies a more inclusive environment and more participatory approaches to development, so that people's concerns may be heeded and that they will be effectively involved in decisions that affect them.

A notable feature is that the country's human development performance remains superior to its economic performance (HDI rank 65, compared to GDP rank 78 in 1999); hence, the crucial importance of achieving and sustaining high rates of growth. However, rapid economic growth must be pursued simultaneously with accelerating advances in human development to achieve a virtuous cycle whereby economic growth and development and human development become mutually reinforcing.

The disaggregation of the *HDI by region* - introduced for the first time - reveals how inequitably national achievement is distributed. Beirut and Mount Lebanon mohafazas stand out with a level quite close to high human development (respectively, 0.760 and 0.742), while North Lebanon, Nabatieh, the Bekaa, and South Lebanon lag (ranging from 0.640 to 0.680). Concerted national efforts are required to improve the level of human development in the latter group and narrow the wide disparity in the HDI level with the country's more fortunate regions. The disaggregation of the HDI, once improved and refined, will provide a sound basis for policy making by the government and national legislature to address regional disparities.

The *Human Poverty Index (HPI)*, which measures *deprivation in the three basic dimensions explored in the HDI*, shows that Lebanon (10.2, rank 11) scored better than other countries in the region (except for Jordan 7.9, rank 7 in

1999). Most people in Lebanon have the essential human capabilities to seize opportunities and realize their potential. Still, there remains deprivation in Lebanon, and it must be addressed in priority to ensure equal chances for all.

The *Gender-related Development Index* (GDI) reflects *inequalities between men and women* in the same categories as the HDI. The GDI for Lebanon roughly follows the pattern of the HDI, but at a lower level, indicating significant opportunities for improving gender equality. The *Gender Empowerment Measure* (GEM) focuses on *women's opportunities* as opposed to capabilities. For Lebanon it indicates a very low level of achievement, as female participation in politics and power over economic resources are very limited. To redress this gender deficit needs to be made a priority national objective.

The *Technology Achievement Index* (TAI) measures *achievements in technology and support services*. Notwithstanding a TAI of 0.332 (Dynamic Adopter, rank 41 out of 72 countries considered), Lebanon has the characteristics of a Potential Leader (0.35-0.49), a country that has invested in high levels of human skills and diffused old technologies widely, but innovates little.

GDP per capita (US\$ PPP) stood at 4,705 in 1998. Income (a proxy in the HDI for a decent standard of living) is also a crucial means of enlarging people's choices - as indeed people care about their relative income status. Overall income inequality in the country is rather high as gauged from the Gini index, 0.435 in 1997. Unfortunately, data are lacking to make comparisons over time.

Lebanon, Globalization, and Development

Globalization as a process integrating economy, technology, culture and governance across national borders shrinks time and space and blurs national borders. A more inte-

grated and interdependent world requires new thinking and approaches to seize opportunities proactively, to achieve equitable pro-poor growth and translate its outcomes in human development, to ensure a more inclusive environment, and to promote more participatory systems and rules of governance.

Lebanon engaged in an early form of globalization and accumulated significant historical social capital through literacy and education, cultural exchanges and acquisition of linguistic skills, intellectual and organizational renewal, and coexistence and emulation. From a critical perspective, the balance of exchange between Lebanon and the globalizing world could be negative: brain-drain of the best of its minds, and "openness" to the world as a safety valve to deflate internal crisis and reduce pressure for reform and change. Emigration increased dramatically during the 1975-1990 conflict when over a third of the 1975 resident population (900,000) left the country. Emigration continued during the post-war reconstruction decade, which ended in severe recession and tens of thousands of mainly young qualified Lebanese leaving annually.

Globalization challenges and human development requirements underline a need to rethink the role, function, and social philosophy of the Lebanese state. In this connection, the increased importance of strong state policies to manage the process of global integration and of decisive decentralization policies giving citizens a larger stake in local development of their regions of residence or origin is emphasized. In the post-conflict decade, while the public sector grew, no extensive administrative reform was implemented to downsize, upgrade, or modernize the civil service. Instead of correcting regional and territorial imbalances of the pre-war period, reconstruction and the majority of public spending in the nineties tended to reconcentrate activities and resources around the capital and some other coastal and central areas.

To realize its full potential and integrate into the world economy without exacerbating uneven development, Lebanon needs an overall vision for the country, and an explicit development and globalization strategy to seize new opportunities in its regional and global environment. The strategy must be conceived from a human development perspective - placing people at the centre, developing capabilities of all and providing opportunities for all.

Global Competitiveness and Market Building

Sustained economic growth requires competitive enterprises, particularly the small and medium-size enterprises that constitute the overwhelming majority. As they seek to become more competitive, to regain access to regional markets, and to penetrate new ones in a globalizing world, Lebanese firms face three interrelated constraints: high operating costs, limited market access, and a domestic environment challenging to business.

In today's global environment, Lebanese enterprises need a great deal of support to develop a new business culture based on information, innovation, quality management and strong corporate governance. Building on recent government initiatives, a comprehensive public-private partnership for small business development with multi-donor support is advocated. To meet the financing needs of Lebanese enterprises, the Beirut financial market needs to be developed so it can play a central role in economic development. Lebanese enterprises need to invest more in upgrading management, human resources development and quality of service, in the acquisition and upgrading of information and communication technology, and in innovation and research. Enterprises need to establish incentives to help motivate employees and engage them actively in the development of the firm. There is an urgent need to complete the modernization of the labour law and of rules governing working conditions and conditions at work.

There is a need to rethink Lebanese exports as, in 2000, they represented barely five percent of GDP, a very low level. Global and regional trends compel reengineering of business structures to re-enter world markets. Re-establishment of an export-driven strategy requires measures involving the private and public sectors. The new customs law of April 2001 cleared the way to modernize slow, costly and constraining import and export procedures.

Efforts are being made to regain export market shares through free trade agreements with Arab countries, with a special focus on neighbours such as Syria and Iraq. Some Lebanese products (e.g. media and communication services) still benefit from major competitive advantage in the Arab markets because they present innovations that are appreciated.

The Lebanon-EU partnership offers a strategic opportunity, but it presents an important challenge to overcome the structural imbalances that exist between Europe and Lebanon. However, the latter can be incrementally addressed through the opportunities offered by the EU-Lebanon Association Agreement. The related MEDA support programmes should prove to be a very important element to help establish the basis for sustained long-term development of Lebanon and a more balanced relationship with the European Union. The achievement of the latter will require strong adjustment, investment and commitment to a wide range of deep reforms.

To consolidate the gains made under the Lebanon-EU partnership, Lebanon needs to increasingly open up, multilaterally and multidimensionally to the Arab countries and to the rest of the world by joining WTO. While Lebanon has made some initial progress towards coping with the requirements of the WTO, much more is needed to achieve accession. Trade liberalization policies need to be enhanced; yet to be successful it is essential that they be balanced by prioritizing capacity

building: human, institutional and productive. Thus, trade liberalization should be accompanied or rather preceded by macro-economic reform, social development strategies, environmental protection measures, and policies than can positively impact on the poor and the categories likely to be hurt. Trade liberalization policies need to be considered as an integral part of people-centered development strategies.

The Financial Sector and the Crisis of Development

Creating synergies between the market and the state and between public and private finance, and promoting strong support institutions, can achieve better alignment between financial liberalization (including public finance) and human development.

The finance sector in Lebanon has been an early globalizer: in 2000, 62 commercial banks operated in Lebanon (of which 11 under Arab control and five foreign) and fifteen branches of foreign banks, of which six belonged to Arab institutions and nine were foreign. Total bank assets amounted to 300 percent of GDP in 2000. The sector is one that has succeeded in maintaining international standards at many levels, and has attracted many Lebanese expatriates with experience in international financial markets while actively promoting employment of women. However, development of financial instruments and services needs to respond better to the financial needs and interests of the average citizen, and in particular of lower income groups. Developing the financial market to make it more responsive to people's needs would yield many benefits, in addition to improving people's financial security.

The pattern of distribution of credit by sector (45 percent for trade and services in 1999) conforms to the structure of GDP and thus merely recapitulates the historical imbalance between different sectors. The distortion in distribution of credit by firm size confirms the weak public support for small and me-

dium enterprises in the past. The recent initiatives of the Government to provide financing to support small and medium enterprises are commended. An extreme concentration of credit defines the credit lending structure. Less than one percent of debtors account for more than 50 percent of total credit in the economy. In addition to being socially inequitable, this concentration increases risks associated with the loans, particularly in a recession.

Notwithstanding the presence of banks in all regions, micro enterprises lack access to credit. Recent national initiatives have promoted access to financial capital by micro enterprises and by low and middle-income groups, notably through the establishment and development of micro-credit/finance institutions and programmes. Micro-credit/finance helps alleviate poverty, decrease unemployment, empower women, resettle the displaced, aid small-scale agricultural development, and activate the local economy. Micro-credit/finance programmes can enable existing micro-enterprises to become small-scale formal production units. Action by public actors to support informal sector institutions in upscaling would create a vast scope for expansion of micro-credit.

The fiscal squeeze resulting from the increased difficulty for the government to generate revenues and the increased demands on public finance calls for adjusting the role of public finance. In the 1993-2000 period, state revenues covered only 47 percent of total expenditures; the balance represented an accumulated public deficit of more than US\$ 20 billion. The regressive structure of state revenues made wage earners and the lower and middle classes bear most of the burden of the chosen pattern of post-war reconstruction. About half of public expenditure of the last decade was financed by deficit spending, with nearly 80 percent to service debt and pay salaries. This was paralyzing and unsustainable, and today the Lebanese state is strug-

gling to break the vicious circle in which it finds itself. This calls for new avenues to be explored, including privatization of public services, reordering of expenditure priorities, and exploration of new revenue sources under public policy incentive schemes. Well-managed official development assistance targeting human development could make a more significant impact, by helping to build enabling environments and 'levering in' private finance. However, most important is the urgent need for serious and credible reform of the economic and financial framework to redirect banking activity from financing and sustaining an unbalanced economy towards encouraging growth and development.

There is no shortage of investible funds in Lebanon; the problem is to redirect a greater portion of these towards more productive sectors and at the same time to enhance development. The main purpose of financial reform is to reallocate resources to productive uses, to change risk and asset relative pricing and to impact financial and corporate structures and behaviors. Such reform is a necessary condition to reestablish the basis for, and put society again on the track of, sustainable human development.

Information and Communication Technology

In the post-conflict period, Lebanon moved swiftly to develop its information and communication technology resources. In the last decade, the Lebanese government has developed an extensive land-based telecommunications cable infrastructure that covers the entire country. A draft national ICT policy and strategy document, prepared by the Office of the Minister of State for Administrative Reform (OMSAR) and revised early 2001 (still awaiting government approval), provides the framework for national action on ICT for economic and social development and a basis to encourage local and foreign investment in this key sector.

The government has taken a number of initiatives to expand the role of ICT in the operations of government, including the achievement of integrated system solutions in several public institutions and administrations. The successful achievement of an e-government vision will require - beyond the equipment - continuous training and re-training of civil servants and a population that is increasingly ICT-aware and digitally connected, which implies affordable and equitable telecommunications connectivity throughout the country.

ICT applications in business have witnessed a score of initiatives in e-entrepreneurship, which need much stronger and generous support, and e-business software potential, slowly emerging. To take advantage of new opportunities in e-commerce, Lebanese companies will need to establish a web presence *and* streamline their internal business cycle to fit the new requirements. Awareness of the new business paradigm, knowledge of the e-market products and services, availability of a secure, trusted, fast delivery backbone, and appropriate legislation are some of the elements required to promote e-commerce in the national business sector. The establishment of online electronic banking able to deal with large transactions in a secure and low-cost manner, through the use of the Internet as the primary tool, is essential for the expansion of the sector.

Internet access (19 subscribers per 1,000 population in 2000 and only just over 5,000 individual hosts) runs along lines dividing the educated from the illiterate, men from women, rich from poor, young from old, and urban from rural. ICT has created a new divide, accentuating the socio-economic one, separating the connected from the disconnected, and generating two parallel and uneven communication systems. Lebanese data concerning its internal digital divide are very limited, and the issue itself has not yet been fully addressed by the authorities.

Access to ICT is heavily concentrated in Greater Beirut, and more must be done to extend it to other parts of the country, especially rural areas. Schools must also be a target of access schemes. Internet access is expensive, and language can also be an obstacle to even distribution of ICT and Internet use.

The problems facing the telecommunications sector (privatization, licensing of mobile network operators, etc.) have to be rapidly resolved to tap fully the development potential of the sector. Lebanon must take measures to ensure equitable access to ICT across all social groups and in all regions, and aim at universal access in the medium term. Lebanon needs to insure soonest availability of broadband communication for faster download speed and to enable real-time video conferencing, telemedicine, and video-on-demand. The government needs to invest in and support research and development in the ICT field. Incentives have to encourage software companies, including through investment in advanced infrastructure and through a competitive pricing policy.

Several key factors place Lebanon at an advantage in the region to excel in the new economy, and to contribute to the promotion of Arab culture in general and Lebanese culture in particular. These factors include the mastery of the Arabic language and multilingualism, a forward-thinking private sector, a strong banking sector moving towards e-banking solutions, availability of various Internet services, competent human resources with diversified skills in ICT and other fields, an open media sector, and a comparatively supportive public sector that knows that one of the country's key assets lies in the services industry.

Education and Development

Preparing to further integrate a rapidly globalizing world, Lebanon needs to heed the globalization of education itself (taking into

account global sources of technology and information), education for economic growth and competition (incorporating new necessary skills into curricula), and education for human development (inculcating into students such principles as gender equity, empowerment, good governance etc).

Lebanon has the lowest illiteracy rate in the region. Nevertheless, the remaining illiterates constitute a heavy burden: 345,000, of which 32,000 for the age group 10-24 years in 1996. A national illiteracy eradication campaign with participation of governmental and non-governmental bodies would be helpful, especially in remote and disadvantaged areas.

Enrollment rates in basic education are very good, particularly compared to Arab countries, but they must reach 100 percent to be considered truly successful. There is an urgent need for a national policy review with a view to ensuring, in a first stage, the application and enforcement of the law on compulsory education at the primary level. For compulsory education to fulfill its purpose, efforts must be made to lower the class failure rate. The retardation rate in 1998/99 was relatively high: 32.3 percent for grades one to five and 49.4 percent for grades six to nine. Efforts must also be made to expand and diversify secondary education with a view to retaining more youth in high schools (gross enrollment rate in 1997 was 82 percent), in view of the correlation between education achievement and opportunities for employment and career performance. Vocational and technical education witnessed notable expansion in the 1990s but still suffers from deficiency in quality, and failure to follow global trends in training methods and in curricula.

There were 3,283 students enrolled in higher education for every 100,000 inhabitants in 1999 – one of the highest ratios in the Arab world. However, it is necessary to extend the retention rate in the first year of university education, to improve internal efficiency in

the Lebanese University, and to diversify higher education in order to attract a larger number of youth. Quality higher education is restricted to a limited number of universities and colleges, which could be called 'islands of excellence.' There is a need for rigorous monitoring of quality and the implementation of an accreditation system. Scientific research is weak, the conditions governing the appointment of faculty members vary widely, the infrastructure is generally poor, and the use of technology is quite limited. In view of the scarcity of resources and the weak linkage between research centres, government, the private sector, and the general public, it is necessary to develop and fund a national strategy for scientific research and development.

Gender equity is largely achieved in all levels and types of education except for higher technical education where females constitute only 39 percent. A gender gap is evident in disadvantaged areas such as Akkar, Baalbeck, and Hermel, especially in pre-elementary and secondary education.

Important problems affect teaching quality in Lebanon, such as absence of a performance monitoring system and failure to implement incentives, rewards and sanctions. More efforts are necessary to re-train teachers and to improve working conditions and professionalism.

Among the tasks of Lebanese education, dissemination of technological literacy and forming information technology specialists must be main national priorities. Education can benefit from technology to expand educational opportunities and improve the quality of education and its efficient administration. The promotion and strengthening of linguistic capital is another field that would provide Lebanon with a distinct advantage for effective participation in the global economy.

Secondary and higher education need an efficient guidance and counseling system.

Services informing students about fields of specialization and job opportunities and measuring their capacities and inclinations should be made available. Education policies have to encourage youth to move towards new disciplines more related to the twenty-first century global market. Such policies require the availability of an educational and job market database that would help students as well as training and employment institutions to readjust their choices.

Efforts must also be enhanced to develop the educational system so that it serves the objective of social integration in the context of globalization. These efforts should be developed on several levels: to develop the national secondary education diploma to bring it closer to international diplomas; to better target the brightest regardless of socio-economic background and to subsidize merit to compensate for polarization of the student body and divisions exacerbated by globalization; to facilitate academic mobility between higher education institutions by adopting common criteria for admission and graduation; to enhance interaction among faculty, students, and programmes across educational institutions through common activities, societies, groups and clubs; and, to ensure that secondary and higher education prepares students for a professional life open to international development.

Social Protection Reforms

In Lebanon, the social effects of further integrating into a rapidly globalizing world might aggravate the difficult consequences of pre-war structural flaws and destructive civil strife, and the present recession. A third of the population lives in relative poverty. Unemployment, already quite high in 1997, has tended to increase in recent years.

To guard against the undesirable effects of globalization, sustainable social protection schemes and social care programmes are

needed to protect and care for vulnerable groups and individuals unable to compete on the labour market and to share the benefits from employment and growth. Lebanon spends a significant proportion of its national income on social sectors, especially healthcare and education, which together consume around 20 percent of the GDP. This percentage is comparable to that of high-income countries.

The country's healthcare system is a collection of fragmented regulations, practices and institutional frameworks with few inter-relations. In addition, there is no equality in the scope of services and the rate of coverage; they vary from one institution to the other and from one person to the other inside the same institution. In all, about 40 percent of the population does not have formal medical insurance. A large number of the uninsured persons are the elderly, the unemployed, and low-income individuals in rural areas. Considering the high expenditure on healthcare, the extent of vulnerability to health risk, regional disparities, and social exclusion are very high.

The reform of the national health sector with an emphasis on increasing the rate of coverage should go in parallel with the necessity to halt cost escalation in healthcare and curb the high level of national expenditures on health. The Ministry of Public Health has commissioned surveys and policy studies to determine the most appropriate type of health coverage. A participatory approach that associates all stakeholders in the health sector, combined with clear objectives, targets and benchmarks, may improve the chances of successful reform.

Retirement schemes in the country are statutory or non-universal, and mostly non-pension-based; they are poorly administered and subject to erosion. Financed by relatively high contributions and by capitalization and repatriation, they are mainly borne by employers who regard them as prohibitive and a serious

obstacle to extend formal employment. Only about 30 percent of the population is relatively secure about their retirement (with very low or low vulnerability). About 40 percent face uncertainty regarding a secure permanent income after retirement (medium vulnerability level). The remaining one-third has high and very high vulnerability levels with respect to their future retirement. This situation poses a threat to social stability and invites urgent action to bring about reform of the retirement insurance system in the country.

Problems of the social security sector are mainly related to issues of efficiency, norms and standards, overhead cost, and the extent of coverage. These problems can be addressed by adopting and implementing a comprehensive and integrated social policy and related sectoral policies; avoiding the multiplicity of institutions providing the same kind of social services and the overlapping of prerogatives between many of these institutions, and strengthening and upgrading the administration of fund allocation, spending, supervision, monitoring and evaluation.

To meet the challenges of a rapidly globalizing world and to address structural problems, a comprehensive review is required of the role and functions of the state with respect to social services provision. The role of the state and the public sector may shift increasingly towards legislation, regulation, supervision, and promotion, and away from direct intervention of providing services. Such a review would lead to a new division of labour and to a fostering of partnerships between the Lebanese state and social partners: NGOs, community organizations and the private sector.

The Rule of Law and the Renewal of the State

For a state to be democratic and efficient in the era of globalization, effective separation of the three branches of government and a total independence of the judiciary are essential. The Taef Agreement includes a provision to

this effect, but the practice of the last decade has not always upheld this basic democratic requirement. Although democracy is usually realized through checks and balances between branches of the government, Parliament has sometimes been perceived as consenting to the wishes of the Executive.

There is an urgent need to inform and raise awareness among members of Parliament, and other officials, about the international human rights system, in which Lebanon has actively participated since the elaboration of the Universal Declaration on Human Rights. At the levels of both the executive and legislative powers, a human rights perspective on political and development issues has to be developed and implemented. The legislation ought to be measured against the fundamental principle of equality.

Lebanon is a state party to more than twenty important human rights conventions, which are self-executing in the internal legal order, but there are many inconsistencies in several local laws when measured against the country's international obligations. Because of the lack of resources and expertise, the efforts to comply with the international obligations that require reporting to treaty bodies under the principal covenants and conventions are still limited.

The 1990 reformed Constitution opened a new perspective to the role of the Judiciary. It is fundamental to reinforce the role of the Judiciary, which is particularly sensitive because of the increasing demand for justice from the society. This could be achieved by modifying the recruitment and promotion procedures of the judges. Moreover, providing qualified support personnel to the Lebanese judiciary, and strengthening the administration of justice are highly needed requirements.

Issues of cost and delays as well as the shortage of judges are inhibiting factors to make

access to justice available for all the citizens. Slow litigation has led to a lack of trust in the judicial system *per se*. Several factors have crowded the courts with cases, making the processing of backlog cases exceed by far the available human and technical resources.

The high demand for justice prompted the drafting of a law proposal in 1999 to establish a structure that reflects more appropriately the principle of independence of the judiciary, as per the Taef Agreement. The separation of the judiciary from the other government branches would materialize through the judges electing their representatives at the Higher Council of the Judiciary. This body would apply the principle of the irrevocability of judges and also hold them accountable for their performance.

On another level, the municipal elections of 1998 constituted a major step in the political reconstruction of the country, strengthening the democratic process and providing a sound basis for the reactivation of local socio-economic and community life. The municipalities have regained, in principle, a larger autonomy in administrative and financial matters. However, weak human and financial resources capacity of the elected municipalities and poor facilities to plan and implement changes at the local level reduce their ability to effectively mobilize and implement major initiatives. At present, 95 percent of the public spending is done on a national scale while only 5 percent is spent locally.

Several measures can help to empower municipalities and promote their role in local development. The state could encourage more municipalities belonging to one geographic region to join into an associative structure, in the form of municipal unions. On the other hand, the state needs to initiate a municipal reform programme to rehabilitate and build up major municipal functions. The reform has to occur within a national strategy for decentralization, relinquishing central control

of the public life sectors in harmony with the current globalization process and the balanced development objectives.

The ability of the government to manage the public administration and to deliver basic services has been significantly impaired since the war. There is thus a considerable vacancy rate in established posts and a plethora of temporary staff, which helps explain the lack of adequate human resources in the public administration. The state has grown in size and declined in effectiveness. The need for a serious reform of the public sector has been of high priority on the national agenda. OMSAR has outlined a national strategy and has undertaken a number of institutional development studies that address critical issues; their findings are yet to be concretized.

The state is considering privatization in several fields (telecommunications, energy, public transport, water, etc.). Nonetheless, the post-privatization role envisaged for the administration has to include effective participation in economic and social development. It also requires insuring provision of good quality services to the public at the lowest possible price – beneficiaries being now defined as customers rather than as recipients. A strong concern for equity in administrative reform and privatization remains important, based on moral and political considerations, as well as on human rights as recognized by the Constitution, national laws, and international human rights law.

Public control institutions, weakened during the war, need to be modernized and reinforced. Measures to strengthen control over the practices of the public administration could also include recourse to an independent body such as an ombudsman to inquire into the grievances of the public and submit recommendations to the relevant administration.

In the era of globalization, the need for increased transparency is a major challenge

for the Lebanese administration. Actually, regulations and directives issued by the Executive to help implement the laws are often multiple and overlapping. This is compounded by the propensity of some bureaucrats to refrain from giving information to the public. In this respect, the government established in 2000 a National Integrity Steering Committee entrusted with devising a strategy for fighting corruption and developing transparency procedures, with international support. Fighting corruption and promoting transparency require central public policies. Laws must be amended to be consistent with the general principle of maximum disclosure. The introduction of an Ombudsman would also be of use in such a process.

Conclusion

To successfully deal with the processes of ever-rapid change, there needs to be a new emphasis on human development. The new emphasis in approach needs to be conceived within a vision of where Lebanon is heading, to be translated into frameworks, strategies, policies and action programmes. Lebanon has major assets and strengths that need to be better exploited and that also can help to overcome the country's weaknesses and resolve issues - among which the uneven development across regions and among groups and the renewal of the state and of the private sector. An increased emphasis on capacity development and a more participatory and inclusive approach to development would better guarantee the successful integration of Lebanon into the interdependent global world. The time is right for a national dialogue to define and set an ambitious new Lebanese agenda.