

UNDP CONFERENCE ON  
**LINKING**  
ECONOMIC  
**GROWTH**  
AND SOCIAL  
DEVELOPMENT  
IN LEBANON

11TH TO 13TH JANUARY 2000. BEIRUT. LEBANON

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## FOREWORD

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Lebanon is witnessing today an era of peace and transition. One important aspect of transition is that it is about change: changing policies and laws that apply to a productive economy and to social development, so that quick and sustainable progress can be achieved.

The Ministry of Social Affairs and the Ministry of Economy and Trade, our partners in this conference on “Linking Economic Growth and Social Development” address a linkage deemed essential to ensure sustainability. This conference, organized by UNDP with the help of the Lebanese Center for Policy Studies, is funded by its Regional Bureau for the Arab States, and the UN Department of Economic and Social Affairs. The initiative is intended to assist Lebanon in its efforts to reduce poverty and increase productivity. More specifically, the objective of the conference is to assist the government in policy-making and in conceiving and forging links between economic growth and social development policies.

The questions, which constitute the central issues of this conference, are:

1. **What economic policies and economic growth are needed to promote social development?** Experience around the world shows that there is no automatic link between growth and human development. Even when such links are established, skillful and intelli-

gent policy management must regularly fortify them, lest they get eroded. For instance, economic growth does not always bring about increased employment. Actions needed to secure high rates of productive employment include sustained investment in people’s health and skills, interventions in the labor market, encouragement of the informal sector, and provision of access to productive assets.

2. **Which social development is needed to promote economic growth?** According the UNDP Human Development Report, a fifth of the world’s population living in high income countries equate 86 percent of world gross domestic product, while the bottom fifth, in the poorest countries, represent about one percent. In Lebanon, as the economic situation shows conspicuous strains, many households suffer from an income shortfall. Basic needs of the population have been satisfied by and large through government transfers (that exceed the capacity of the State) or through remittances from relatives abroad. Lebanon needs to define, in a strategic manner, the kind of social development that will promote and sustain the much-needed growth.

3. **How can the link between economic growth and social development be achieved in a way that promotes the country’s competitiveness, in a fast changing world where events and decisions in one place have political, economic, social, and environmental consequences in other places?** Even with its signifi-

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cant potential, Lebanon, a small country is vulnerable to internal, regional and global factors. Post-war governments have aimed at putting Lebanon back on the regional and global map. Priorities included for instance economic stability, the return of the displaced, and reconstruction. The present government has explicitly given high priority to socio-economic issues, including poverty reduction, productive employment, rehabilitation of the displaced, and reform of the public administration. It is evidently essential that more economic growth, not less, is needed as Lebanon enters the 21st century. And that more attention will have to be given to the structure and the quality of growth to ensure that it is directed to support human development, reduce poverty, protect the environment, integrate women, address inter-generational issues, in short, ensure sustainability.

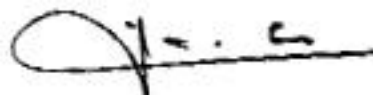
**How does one achieve sustainability under such constraints?** Well, a pointer may be that the country's wealth is in the potential of its people, people that endured war and occupation, experienced economic crises and social changes. People that continuously struggle to survive, and live well. The quality of life that will be experienced by the Lebanese population in the not-too-distant future will mainly be the result of the creative efforts and skillful know-how of the Lebanese themselves. Policies, though, do have a considerable impact on the pace of progress.

This conference will provide an opportunity for such issues to be addressed so as to arrive at a few concrete outcomes. There will be debate and discussion. Ten sessions will cover topics ranging from models of economic growth, the financing of development and globalization, to the labor market and employment, regional development, education, health, social security and others, all and each in itself a priority, with none of the priorities being mutually exclusive, thus, emphasizing the importance of linking economic and social discourses and practices.

We, in UNDP, are proud to be associated with the Ministries of Economy and Trade, and Social Affairs in this important initiative. We are confident that the

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conference will be exciting, fun, stimulating, and produce concrete outcomes in that often-elusive goal sought all around the world: to find the subtle but very real factors that, in a given place, at a given time, constitute key links between economic growth and social development. And to activate these into a pattern of sustainable human progress.



**Yves de San**

*UNDP Resident Representative and  
UN Resident Coordinator*

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## THEMATIC OVERVIEW

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**Ten years after the Taëf agreement and the end of a protracted and devastating conflict, and at the eve of the second decade of national rehabilitation and reconstruction efforts, Lebanon is evaluating and reconsidering its economic and social priorities and exploring a new development strategy for the coming decade.**

An important aspect of the necessary transition is creating an enabling environment for the acceleration of equitable growth so that progress is reflected in improvement of people's lives and vice versa. At the United Nations Global Conferences of the nineties, governments and civil society groups including those from Lebanon, in addition to donors and development institutions adopted and supported the integrated economic-social approach, notably that "human development and economic growth should move together, strongly linked". (UNDP 1996 HDR)

In June 1999, the Lebanese government adopted a five-year financial adjustment plan to deal with the heavy burden of the accumulated public debt, reduce the budget deficit, reform the fiscal system, increase state revenues, and engage into a gradual policy of privatization and public sector reform.

In December of 1999, the Lebanese government is planning to adopt a five-year development scheme, to focus the energies on the country's identified comparative advantages, increase its competitive-

ness in the global and regional economy, continue to modernize its infrastructure and upgrade its human resources, and insure a better social and regional balance in participation to development, access to resources and economic rewards.

Linking Economic Growth and Social Development in Lebanon to create a virtuous cycle of human progress and growth, will be the subject of deliberations between policy-makers and practitioners in Government, civil society, the private sector, development agencies and the media. They will convene in Beirut on 11-13 January 2000 (at the Riviera Hotel) in a conference hosted by the Ministry of Economy and Trade and the Ministry of Social Affairs. The conference is organized by the United Nations Development Programme (UNDP) in Lebanon with substantive support from the United Nations Department of Economic and Social Affairs (UN-DESA), and financial support from the UNDP Regional Bureau for Arab States (RBAS).

The Conference is conceived as an interactive forum, where background and situation analysis, identification of main issues and problems, presentation of options and choices, and alternative policy recommendations are going to be discussed in a pluralist and dialogal mode.

Over three days, the Conference will raise nine main questions, as a way of apprehending the principal issues at stake, at this crucial juncture for Lebanon:

### **Which Economic Growth Model for the Next Decade?**

**This introductory session will set the stage for the whole meeting by presenting alternative macro-economic scenarios, by discussing the role of the state in providing sustainable growth, and by raising, from a diversity of perspectives, questions such as:**

Ü Which sectors, industries, services could constitute the engine of growth for Lebanon in the coming years?

Ü How to identify and fortify the specific niches where Lebanon could achieve and sustain breakthroughs in a changing regional and international environment?

Ü How to create opportunities and incentives to retain the high-skilled manpower that the countries produces and mostly exports, and re-attract those who have left?

Ü How to better capitalize on the variety of networks, economic, cultural, religious, diasporic into which Lebanon and segments of the Lebanese are engaged, to the benefit of the national economy and territory?

Ü How to rethink and better use Lebanon's specific geographic location, its diversified landscape and its natural resources as facilitators of sustainable economic growth?

### **Financing Development: Fiscality, Debts, and Markets**

**This session will focus on the level and the generation of resources needed to fund development efforts in the second decade. It will discuss ways of reducing the burden of the current debt, rebalancing it between internal and external borrowing, and making a judicious use of privatization policies.**

It will examine how to develop new revenues for state-led development through a reform of the fiscal system, widening the taxation basis, achieving better balance between indirect and direct taxation, and insuring more equitable sharing of the tax burden.

It will explore how to create more mechanisms and incentives for Lebanese private savings to be channeled into financing development through a variety of financial instruments, the strengthening of capital markets, and the reform of corporate laws and

regulations.

The session will finally discuss the optimal combination of fiscal resources, public debts, and private financing that Lebanon can project and absorb over the next few years.

### **Public Expenditures and Social Development**

**This session will discuss the role of state budget as a principal instrument of public intervention, to achieve the objectives of stimulating economic growth, while insuring a balanced and equitable development benefiting all the Lebanese.**

It will reexamine previous and current trends in public expenditures to determine the nature of budgetary choices in terms of personnel compensation, investment priorities, allocation of social spending, and real impact on the targeted beneficiaries.

Within the current difficult constraints on public expenditures, it will discuss the possibility of moving from social spending to social investment, of partially converting from entitlements to incentives, of including social and regional impact factors in public investment choices, and of investing in public-private partnership programs in training, job creations, investment localization, micro-credit and the provision of social services.

### **Toward a regionally balanced development**

**This session will revisit the historical trend of regionally imbalanced development in Lebanon, with the predominance of Central Lebanon over the outer provinces of the South, North and Bekaa, and the macro-cephalic domination of Beirut over the rest of the country in most of the administrative, economic and cultural activities.**

The session will evaluate the impact of the devastation of the years of war and the priorities of the decade of reconstruction on this historical configuration.

It will examine a number of social, economic and demographic indicators of increase, decrease or change in the nature of the unequal regional development in today's Lebanon.

The session will finally discuss the components of a

national strategy of regional development, combining public investments, incentive measures, administrative reforms, private sector initiatives, and regional coalition-building to generate a better territorial distribution of opportunities, facilities and resources.

### **The Social Gap and the Crisis of the Middle Class**

**This session will examine critically the currently predominant view of an increasing social gap within the post-war Lebanese society, with as correlate, a decline and shrinking of the middle class, due to war, emigration and dominant economic trends and policies during the last decade.**

An increasing social polarization between rich (mainly new rich) and poor, and the marginalization of the traditionally large and enterprising Lebanese middle classes, would have a very significant impact on political stability, social progress and economic development.

The session will discuss available data and research on patterns of income distribution, forms and levels of consumption, socio-professional and class stratification and other indicators to assess the state of the social map in Lebanon, with a focus on the status of the middle classes.

The session will explore strategies conducive to reducing social inequalities and increasing social mobility, such as better funding for educational investments and house owning schemes, support for the small and medium enterprises, access to affordable credit, enforcement of fair competition rules, provision of efficient judiciary services, and progressive fiscal reforms.

### **National Choices in Education and Health**

**This session will reexamine the two major social sectors, in term of both public expenditure and private spending in Lebanon, and which account together for over 20% of the GDP, an unusually high share by international standard.**

The session will raise fundamental issues such as:

Ü What is the impact of the coexistence of several independent sub-systems (public, private, religious,

foreign) on the efficiency, overlapping and oversupply of services provided?

Ü What is and should be the appropriate role of the state in such a configuration?

Ü How effective is the use of public and private funds?

Ü How equitable is the distribution of the burden of expenditure among various social categories?

Ü How sustainable is the high real growth and high cost per unit of public expenditure on education and health?

Ü How to devise national strategies to rationalize and upgrade complex and fragmented health care and educational systems?

Thus the session will discuss the fundamental structural changes needed to address problems of cost escalation, inadequate coverage of the population, and declining quality of the services provided. It will reflect on the national choices to be made and the related policies to be implemented in order to meet the country's needs in the 21st century and ensure that all the citizens will have equal access to opportunities to build and maintain their human capital.

### **Labor Markets and Employment Policies**

In a country that has been traditionally open to the world, with a large and century old long-range emigration, a recent and substantial regional labor migration, and successive waves of immigration, from political and economic refugees to unskilled work seekers, it is difficult to delimitate a self-contained local labor market.

Taking account of this historical context and precisely because of this fluidity, the session will try to assess the state of the Lebanese labor market at the end of the nineties in terms of emigration and immigration trends, levels of job creation and unemployment, adequation between volume and skill levels of manpower and needs of the economy in reconstruction, and projected demographic and educational trends and their impact on the labor market.

**The session will explore the possible components of a national employment strategy. It could include a set of policies to adapt and modernize labor laws and**

regulations, to improve the qualification levels and the productivity of the labor force, to retain or re-attract a large segment of the highly qualified graduates, to reach a better balance between national and immigrant workers, to reduce levels of unemployment and insure a smooth reallocation of workers to more productive sectors and firms, and finally to courageously address the issue of the volume and productivity of the public sector employees.

### **Social Insurance for the Lebanese**

This session will discuss, in a comprehensive approach, the various sub-systems that are providing collective coverage of the Lebanese population health and ageing related needs. It will include areas such as health insurance, job related emergencies, maternity costs, family allowances, and retirement and pension funds.

This session will assess the current balance between the services offered by the National Social Security fund, the Ministry of Social Affairs, the private insurance providers, the community-based, not for profit, providers and the special safety nets programs.

It will evaluate the quality, cost-effectiveness, and social accessibility of the services currently provided. It will explore policies recommendations and reforms needed to insure that those who can afford it could get the most competitive private offering and those who cannot afford it could still be covered, in an optimal way, by a combination of efficient public and community-based provision of services to which all citizens should be entitled.

### **Globalization: Challenges and Opportunities**

This session will assess the social and economic challenges and opportunities that will accompany and follow Lebanon's close integration into the global market through the signing and implementation of agreements with the World Trade Organization, the Euro-Mediterranean Partnership, the World Intellectual Property Organization, and other inter-

**national institutions and instruments.**

The session will examine the likely consequence on the Lebanese state revenues and the level of public spending, the impact on the competitiveness and survival of Lebanese firms, the pressure to quickly upgrade skills and achieve greater worker flexibility, the need for a creative vision for market opportunities for Lebanese products and services in a globalized environment, and the need to insure protection and alternatives for the more vulnerable and likely to be affected groups and sectors.

The session will discuss the signification and consequence of more systematic global integration for an economy and a society largely open to the world, already linked to a variety of international networks, and yet in need to reengineer itself to fully benefit from and operate in a truly global mode.

### **Toward a National Development Strategy**

**The final session will bring together the conclusions and recommendations from the various sectoral or issue oriented panels into a general discussion of the requirements of a national development strategy.**

It will underline the need for a comprehensive and integrated approach to the challenges facing the Lebanese economy and society into the next decade.

It will discuss the importance of building through sound analysis and sustained dialogue, a national consensus on the framework and priorities of a new development scheme.

It will finally suggest ways to engage actively the different stake holders, the state, the civil society, the communities and the private sector, with the support of the international community into the joint project of reinventing Lebanon as a convivial, viable and creative community of the twenty first century.



## OPENING STATEMENT

of Dr. Nasser Al-Saidi,

Minister of Economy and Trade – Minister of Industry

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Mr. Michel Moussa - Minister Of Social Affairs  
Mr. Yves de San, UNDP Resident Representative  
Dear audience,

I am honoured to be amongst this distinguished audience of experts, representatives of government and civil society, to discuss a very important challenge: that of linking economic growth and social development. I thank UNDP in Lebanon, ESCWA, (United Nations Economic and Social Commission for West Asia), the United Nations Regional Development Program for the Arab States (RBAS) and all those who have contributed to the organisation of this conference.

In this conference we want to shed the light on the elements and mechanisms that link between economic growth and social development in Lebanon, in order to achieve an active and integrated socio-economic cycle. You will be attempting to answer questions relevant to our economic and social future, through your papers and discussion by focusing on economic, financial and social policies, balanced development, labour, education, health, social security, globalization and other subjects. Several vital issues will be raised:

- 1- What economic model do we want for Lebanon at the onset of the 21st century?
- 2- What is the appropriate role for the state in economic growth and social development?
- 3- What policies will enable the State to perform this

role effectively, and does a role for a partnership between the State and the civil society, and between the public and private sectors for making and implementing these policies exist, and how?

This partnership between the state, the private sector and civil society is of primary importance. Indeed, the government began the process to adjust public finance based on a five-year fiscal plan. The objective is to re-structure public finance, and rectify its present condition. The success of the plan is a must if we are to revive the economy in a sustainable way. Although 1999 primary figures indicate that the fiscal adjustment measures have begun to yield some results, we must continue our efforts in implementing fiscal and economic reforms, which call for a more effective partnership. In addition, the government is currently preparing a privatization plan, aiming to promote the involvement of the private sector in reconstruction of the infrastructure, and shifting the economy to the information age, objectives that require the intensification of the partnership between these sectors.

Fiscal adjustment alone is not sufficient to achieve a sound economic environment able to achieve growth rates, create new job opportunities, develop the competitive capability of the productive sectors, and resolve chronic social problems. The need extends beyond to ensuring the stabilization of certain economic constants which promote growth, the support of the capacities of the productive sectors to meet the challenges of the liberalization of trade, the

implementation of fair and balanced regional development, and the fight against poverty and marginal existence.

## 1- LINKING SUSTAINED ECONOMIC GROWTH WITH SOCIAL DEVELOPMENT

There is a close link between economic growth and social development, ensuing from the economic policies and the organization of the State institutions and the market. When the public sector and civil society institutions are efficient, economic growth will produce social development which will in turn create and stimulate economic growth, thus forming a cycle of growth and development.

Growth will raise the level of income if policies that encourage growth exist. As a result, the levels of education, health and social security will be improved and social integration consolidated. Such an environment will promote the development of institutions, strengthen democratic values, and consequently, provide conducive conditions for the revival and growth of a sustainable economy.

If unfavourable policies are adopted, the outcome of economic growth will not be favourable to the objectives of social development. Hence, the gap between the social classes will increase, and citizens will be deprived from the benefits of development, and the quality of education and other human development indicators will deteriorate. Many young democratic countries fell victim to this vicious cycle. They witnessed a decline in security and an increase in domineering regimes and policies, despite the existence of growth.

The relation between economic growth and social development can be proved both economically or realistically. The UNDP work concerning sustainable development, indicators of human development and the World Bank studies confirm this inter-relation.

Economic literature which dealt with economic growth since Adam Smith pointed to one sole factor

which makes economic growth sustainable: this factor is the investment in human resources. It is no coincidence that such investment represents the basic factor that determines economic growth. From Robert Solo in the fifties to Robert Barrow and David Blum in the nineties, economics defined the influencing factors of economic growth and social development. Both are positively affected by the level of education, life expectancy at birth, protection of individual and intellectual property rights, political stability, state of law and order, responsible regime and the development of financial markets. On the contrary, economic growth and social development are negatively affected by market distortions caused by eccentric policies, over-regulation, growing political and public sector instability. Technological progress represents one of the most influencing factors on growth. The best proof is the economic impact of the information technology revolution and the information economy revolution.

It is necessary that Lebanon gives priority to the development of its human resources and deals with obstacles of sustainable growth, especially those caused by disparities and poverty.

## 2- CHALLENGES FACING LEBANON

Lebanon is experiencing a critical time in its economic and social history, and must learn from the lessons of the past. We must also look ahead and take the necessary steps for reviving economic growth and achieving a cycle of economic growth and social development.

In the years that preceded the outburst of the War (1964-1974), Lebanon witnessed high levels of real economic growth at an annual rate of almost 6%. Many social development indicators (standard of education, health, life expectancy at birth, etc.) showed an improvement, whereas other indicators (distribution of income, social safety, regional differences, etc.) showed regression. The rupture of the social fabric at the start of the war is the best and most convincing proof that economic growth and

social development were not positively inter-linked and supportive to each other.

Economic and social challenges, which confront Lebanon today, differ from those of the pre-war period. Hundreds of thousands of displaced people, and continuous waves of immigrants deprived the country of its most productive resources. Tens of thousands of young citizens did not receive adequate education or training suitable for their participation in the economy. Social problems were intensified. Uneven regional development continued due to the war. The South, still under Israeli occupation, did not benefit from the economy's revival in the post-war period. Immigration of young people continued, although at a lower rate. Moreover, our educational system, which enjoyed the reputation of being the best in the region, is weakly linked to the labor market.

All these facts oblige us to make greater efforts for change and development of an adequate system compatible with the requirements of the twenty first century.

The world has changed drastically. Essential developments have taken place in the international trade and financial system toward an increasing globalization, access to technology, especially in the field of information technology. These changes directly affect the potential growth of our economy and the competitiveness of enterprises, locally, regionally or internationally.

### 3-ECONOMIC GROWTH AND SOCIAL DEVELOPMENT STRATEGIES

#### A. Fiscal Adjustment

The most important policies, which can achieve growth, should be based first on restoring balance to the State's budget and solving the problem of debt in order to ensure macroeconomic stability. The government has started the implementation of a five-year fiscal adjustment plan, whose objective

includes reducing the budget deficit and the national debt. The first year of this program produced positive results.

Fiscal adjustment and reform require the adoption of several measures to alleviate the burden of debt service, including policies of debt management and privatization, thus provide incentives for the participation of the private sector in the construction of infrastructures and management of vital facilities, through reconsideration of public expenditures, and defining priorities, in a manner that leads to concentration on social expenditure.

The objective, which the new fiscal policy seeks to achieve, is to reduce budget deficit and debt. Such reduction will automatically decrease interest rates and provide financial revenues for investment in productive projects in the private sector, hence, creating a productive cycle for the acceleration of growth.

On the other hand, the government also aims to rationalise public expenditures, particularly through the re-examination of its functional nature, in order to reduce and eventually eliminate unproductive expenditures re-direct them towards beneficial social and developmental programs.

This requires reviewing the functions of several public institutions and administrations. In my opinion, we must support the Council of Development and Reconstruction (CDR) to enable it to develop plans and regional development policies for the strengthening of productive sectors in the border regions.

#### B. Privatization

The second component of the state's strategy for economic and fiscal reform is privatization.

Privatization is conducive for economic growth as it improves efficiency in governmental institutions and offers investment opportunities in fields and sectors previously unavailable. Privatization can also support the development of financial markets, provide the proper regulatory and institutional frame-

work to finance the economy through the financial markets and increased growth. Privatization is expected to redirect governmental expenditures from infrastructure projects towards social expenditure, where a wider participation of the private sector is envisaged.

### **C. Trade Liberalization and Economic Integration**

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The third component of the Lebanese Government policy is liberalization of trade and expanding the market, ranging from the bilateral agreements with Syria to achieve economic integration; the implementation of the provisions of the executive program for the Common Arab Free-Trade zone, Trade agreements with the European Union and accession to the World Trade Organization (WTO).

Trade liberalization is not a target in itself, but a means for expanding the markets, promoting export, especially that we aim to have export led growth. The Ministry of Economy and Trade is working hard to formulate and implement that facilitate export mainly: Reducing costs of export by reducing custom fees on raw materials; simplification of transactions, and speeding up trade operations by the application of the Trade Efficiency project.

Within the framework of these trade agreements, Lebanese enterprises will be allowed to penetrate new markets, benefit from economies of scale and enhance their specialization. Furthermore, consumers will benefit from the increased competition. On the other hand, these trade agreements will create a conducive environment for the establishment of joint commercial enterprises between Lebanon and other Arab and foreign countries.

### **D. Social Development Strategy**

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The government has anchored the proper base for reform, starting with the fiscal adjustment program and the implementation of its Five-Year Development Plan, giving priority to social development and balanced development programs. This Plan will

allow us to rationalize our policies and to target them, bases on scientific data defining competitive sectors for Lebanon, and accordingly to develop relevant policies in education, health and labor market policies. In this context, we hope that the government will benefit from the results and recommendations of this conference.

In addition, the government adopted several measures and executed many projects for rural and balanced development. The most important is the establishment of the microcredit fund, with a capital of 24 million Euros, aiming to support small enterprises financially and technically, enabling them to acquire the skills of management, marketing, production and other vital functions to ensure their survival.

The government has also established an institution for guaranteeing small and medium loans, in order to encourage small enterprises development, in addition to the housing loan program for low and medium income individuals, in order to ensure housing for the Lebanese youth.

Finally, the government is currently studying ways and means for the modernization and development of the social security system in order to decrease the cost social security costs on employees, and the adoption of a system to ameliorate the income of employees based on their levels of productivity. The government looks forward to develop a social security system which ensures comprehensive health coverage.

The reform of the social security system will enhance the freedom of movement of the work force and the amelioration of their wages. It will also promote long-term savings and eventually long-term investments.

## **4. CONCLUSION**

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Ladies and Gentlemen,  
As responsible civil servants entrusted with the pub-

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lic policies and public interests, and the realization of economic growth and social development, we all look forward with interest to the discussions, recommendations and ideas that will come out from the sessions of this conference.

This initiative is an example of participation which we encourage and seek, if we are to achieve our common objectives: those of fighting poverty, achieving balanced development, limiting immigration, development of capabilities, linking labor policies with the development of the economic sectors, reform of the social security system, modernization of the health and education systems, and adoption of a fiscal policy which will encompass the prerequisites of development and growth.

We are fully aware that conciliation between these objectives is very difficult. This confirms the importance of consultation in order to determine priorities, policies and implementation mechanisms, as well as the co-ordination the efforts of all parties concerned.

We hope that the conference will focus on these outcomes and expect it to provide us with practical recommendations, proposals and suitable schemes.

I thank you for your constructive efforts and I hope that the discussions will be fruitful and rich.

Thank You

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**UNDP conference on Linking Economic Growth and  
Social Development in Lebanon.**  
**11-13 January 2000, Beirut, Lebanon**

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# OPENING STATEMENT

**of Mr. Michel Moussa,**  
Minister of Social Affairs and of Labour

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Dr. Nasser Saidi,  
Minister of Economy and Trade  
Mr. Yves De San, United Nations Resident  
Coordinator and UNDP Resident Representative  
Representatives of international organizations  
Participants in the conference, experts and special-  
ists, representatives of various ministries

Ladies and Gentlemen,  
First I wish to praise the great efforts made by the  
organizers of this conference, whose theme in my  
opinion is of great importance. The significance of  
this conference is specifically evident in its title. This  
significance is its title. Hence, it is the first time the  
relationship between economic growth and social  
development is being addressed. The profile of the  
participants is also very indicative, whether repre-  
sentatives of establishments or individuals who are  
all involved in policy-making, experts, or dedicated  
activists in the development field, all working  
towards the transformation of society through prac-  
tical experience.

Dear Friends,  
You are well aware that the government is exerting  
all possible efforts in order to push forward the  
development process in Lebanon, in line with the  
regime's orientations expressed by President  
Lahoud in his formal oath, and the ministerial state-  
ment, on the basis of which the Cabinet obtained the  
parliament's confidence.

Both documents affirmed the government's deter-  
mination to achieve a comprehensive and balanced  
development and its commitment to social develop-  
ment and fighting poverty.

There is no doubt that this conference is held at the  
right time for Lebanon. Thus, the government pre-  
pared and began implementation of a five-year fiscal  
adjustment plan in the recent months. It also com-  
missioned CDR to prepare a five-year development  
and reconstruction plan focusing on balanced devel-  
opment. A decision was taken some weeks ago con-  
cerning the formation of the Socio-Economic  
Council, which constitutes a very important plat-  
form for social dialogue between the development  
partners, aiming to lay down a number of mutual  
visions for the future. Other initiatives are in the  
course of implementation, such as the analysis of  
social expenditure, and all activities performed by  
the ministries of economy, finance, health, educa-  
tion, labor, social affairs and CDR, each in its own  
domain, covering projects related to economic and  
social development.

Dear Friends,  
As Ministry of Social Affairs, permit me please to  
present some ideas related to the issues which your  
conference will cover in its sessions.

**First:** Strengthening the positive link between eco-  
nomic growth and social development is the essence

of the development process in its contemporary connotation, although it does not fully reduce its comprehension. In this sense, we see that choosing the title of this conference expresses the conviction that economic growth is a prerequisite for development, although it is not its only element.

This conviction forms one of the most important results of development experiences in the various continents during the past decades. The link between economic growth and social development is only an incomplete step in the right direction. To complete this step, we should discuss the nature of this relation, and the general framework in which it is confined.

If we continue to consider the economic and social sectors as two independent sectors, although they are inter-linked, we will be unable to achieve the concept of contemporary development, which forms the unifying and regulating tool of their inter-relation. The economic and the social sectors should form two positively linked and mutually supported dimensions within the framework of the same development strategy. For this, we call on you not only to be satisfied with the presentation of the various links existing between economic growth and social development, but to also provide us with your suggestions on how to integrate the economic and social policies in the path of comprehensive development.

**Second:** People, individuals and society are the starting and end point of development.

Consequently, we should start first by studying and investigating the facts, and asking people about their living conditions, problems and priorities.

First we should have an overview to enable us to define our objectives and strategic orientations. Then we must move gradually into sectorial and regional details needed for formulating detailed relevant policies. This overview is of utmost importance and it is indispensable when the subject of the study is the link between economic growth and social development. Economic growth should not have general and particular objectives that conflict with the development objectives as a whole. The final objective should be determined in light of a global or coherent plan of the situation, its problems

and prospects.

**Third:** We can diagnose the following major social problems, building on many national studies recently executed:

I- The existence of important unequal distribution of wealth and income, as shown by a study made by the Central Administration of Statistics about the living conditions of families, which also confirmed the existence of important inequality in the income levels of the various economic sectors and regions.

II- The existence of important disparities between the regions, which means the persistence of historically inherited regional deprivation. These disparities are not limited to poor access to basic services, which have been reduced in comparison to previous times. But they extend to poor standards of rehabilitation of human resources, economic activity, including private sector investments.

III- The continuing gap between income levels and living costs, despite successful control of inflation and improvement in the exchange rate. Costs of education and health care form an important part of the burden borne by the family's budget, in light of the basic role-played by the private sector in providing these services and their continuously increasing costs.

IV- In spite of the improvement of the quantitative indicators concerning the availability of basic services to all people, and health care services to special groups covered by specialized care programs, there remains two fundamental problems: the first concerns the quality of services and the second concerns the sustainability of health care programs.

**Fourth:** Economic and financial difficulties are the major obstacles hindering development. We mean in particular the drop of annual growth, the problem of the public debt and the costs of serving it, the budget deficit, the deficit in the trade balance, the limited treasury revenues, etc. In this context, we consider these obstacles as primary data and, hence, it is necessary to concentrate on the strategies adopt-

ed for dealing with them, in light of evaluating their impact on people's living conditions, and the impact of possible alternative policies. In this sense, we also call upon you to offer innovative alternative solutions for these problems in a realistic manner and within the available capabilities.

For example, Lebanon spends a high percentage of its gross domestic product (GDP) reaching 10-11%, on health services, which is one of the highest in the world. Whereas, the percentage of health insurance coverage does not exceed 42% of the resident population, and the quality of health services does not measure up with its costs. Hence, we ask: do we need additional financial resources to spend on health care, or do we need to have adjusted or new policies and regulations? The same applies to education, social assistance and services, etc. in view that for all these sectors, we need to formulate a clear and more accurate standards system to specify priorities and kind of services and interventions required, based on the evaluation of their social impact on the various classes of the population, particularly those who need mostly these services.

**Fifth:** After taking into consideration the general principles governing the economic and social policies, we call upon the participants to contribute creatively by presenting new ideas, in order to move the discussions away from repetition. For example, the national dialogue about privatization were marked by opinions having no common denominator. In our belief, the reason lies in the methodology of the discussion that was characterized by splitting the topics. According to the modern concept of development, starting from the notion of absolute contradiction between market and the State is wrong because it leads to an attempt to make the market transcend the State or vice-versa. Whereas development calls for making both the market and the State tools in the service of people. This may not be achieved unless the subject of the discussions becomes not privatization itself, or the State itself, but to make it pivot around the distribution and integration of roles between the State, the private sector and the domestic sector, within the context of a national development strategy. The same is true for

the dialogue on tax reform, which can be initiated through the discussion of the appropriate balance that should exist between the three functions of the tax system, i.e. providing revenues for the public treasury, stimulating the economic growth, redistribution of income with no function canceling the other. Even issues concerning municipalities, decentralization, administrative reform could also be discussed in relation to their link with local and national development, whether in relation to the contents of their work program or their structure, which helps participation or hinders it. Could this conference present to us opinions and proposals concerning analysis and work mechanisms of this kind?

Dear Friends,

Permit me please to say a few words about the Ministry of Social Affairs, its position and its responsibility in the development process. We feel proud because the Ministry of Social Affairs is one of the first ministries and governmental institutions which adopted the new development concept. It is nothing strange or unexpected from a ministry established in 1993, as in fact it was founded on the principles of its predecessor, the Social Welfare Directorate which was established and worked effectively in the sixties and seventies when development and social ideas were widely spread. The renewed development wave in the nineties is a return to those ideas.

We are pleased at the Ministry of Social Affairs that this orientation towards adopting the concept of development is being strengthened in the other ministries and governmental institutions, thus fostering cooperation and coordination opportunities, built on a firm and common conviction about the objectives and means of work. We are well aware that we are still at the beginning of the road.

In light of this understanding, the Ministry of Social Affairs initiated coordination with international organizations working in the development field, starting with an early cooperation for the establishment of social training center with support from UNICEF, then cooperation with ESCWA, and ending with the current common projects with UNDP,



the UN Population Fund and the UN Women Fund. Lately, we were able to arrive at a pioneering formula in coordination: the formation of a steering committee, a technical committee and specialized work groups, which grouped UN supported projects, the departments and offices of the ministry, and the national committees attached to them. We wish to highlight this initiative because we firmly believe that coordination is at the core of social development policies.

Law No. 212 which created the Ministry of Social Affairs in 1993, conveyed on this ministry very extensive duties, ranging from studies and planning, execution of sectorial and local development projects, and provision of care to the disadvantaged sectors of the society, i.e. those which need assistance the most. The Ministry performs many activities in all these domains. But in harmony with the contemporary development concept adopted by the Ministry, and based on its experiences during the past seven years, we believe that its work experience is becoming more mature, thus qualifying it to move to higher forms of activities.

In this context, the future orientations could be concentrated around the following points.

1. Making social policies at the national level, in which the Ministry's role will be strengthened, particularly in the light of this conference's results. We believe that this conference will confirm the ineffectiveness of separating between economic and social policies on the medium and long term. This is a fundamental role for the Economic and Social Council.
2. Sectorial social policies through cooperation between different ministries, and between ministries and the civil sector through councils and tripartite national bodies, whose activation represents a major step towards an effective partnership in the development plan.
3. Local development: we believe that the network of development services centers is a fundamental prelude to local development. Experience has shown

that this possibility is realistic and requires strengthening of its role, its validity, and its potentials in realizing cooperation and partnership with municipalities and local representatives of the governmental departments, as well as with non-governmental organizations.

4. Development of the Ministry's social service role in terms of the quality of services, the criteria for selecting the institutions and individuals whom will benefit from it, the nature of the program and the services which should be provided. This role will remain active in view that it is the most important safety net for dealing with the disadvantaged groups that need immediate assistance.

Finally, the Ministry of Social Affairs has always been a kind of a warning system for potential social tensions. Through its centers, distributed in the most deprived regions, and given its dealing with the poorest classes, the Ministry remains most sensitive towards the popular mood, the urgent needs of the people and their complaints. We believe that this role should continue and be enhanced. Where poverty and deprivation are added to ignorance and marginality, social tensions accumulate and potentials increase for exploiting this situation to create social, political or security explosions which threaten the country's stability. In this sense, the Ministry's role in providing protection, and identifying problems, at an early stage, is a matter that should be treated seriously.

Dear Friends,

Once more I wish for this conference success, represented by innovative ideas and new approaches which achieve the required link between economic growth and social development, contribute to the evolution of comprehensive development in the country and anchor peace and stability on the road to progress and prosperity.

Long live Lebanon

Thank you