

# POSITION PAPER: SUSTAINABILITY TO UNDERPIN LEBANON'S ECONOMIC RECOVERY

## THE PROBLEM

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Lebanon's accumulated crises, now wracking the economy, governance model and essential goods and services reflect the untenability of its post-war social contract and macro-economic structure. An artificially strong post-war exchange rate supported economic activities and import-reliant consumption patterns that do not reflect Lebanon's geographic, demographic or economic reality.

Instead of supporting industries with the most regional comparative advantage and potential for the creation of decent work – such as agriculture and highly skilled manufacturing – Lebanon's ruling elites heavily biased unproductive industries such as finance and real estate which worsened the nation's economic vulnerability. Not only did the eventual collapse of this risky and unrealistic model impoverish the majority of the Lebanese public, it also extracted a heavy toll on essential environmental functions and ecosystems, with an ensuing toll on public health.

The collapse of this model comes at a time when the world is increasingly accepting that fundamental changes to 20th century models of consumption and production are necessary to re-align societies nation-wide to a more sustainable economic and environmental future. Lebanon is thus a microcosm of how bad things can get when elite capture, rentier economics and environmental exploitation are left unregulated.

## ENERGY AT THE CORE

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At the symbolic and practical core of Lebanon's current crises is the energy sector. At the top of the list in terms of import reliance and vulnerability, Lebanon's inability to import fuel – after the collapse of the Lira's

purchasing power against the US dollar – has brought the nation and its public services, including the water sector, to a near-standstill.

The reasons why Lebanon was so vulnerably reliant on imported fuel oils – and thus severely energy insecure – can be traced to similarly symbolic and systemic issues. Primary among these has been the self-interest of the ruling political and business class, sectarian squabbling delaying essential works, and near-complete disinterest in governing on behalf of the public interest in and need for equitable essential services.

As a result, reform of the energy sector founded on distributed renewable energy production and progressive economic incentives for all stakeholders must be the basis for Lebanon's recovery. Advances in renewable energy technology and international energy linkages mean Lebanon can feasibly aim for net-zero greenhouse gas emissions by 2050 if it pursues aggressive investment in renewable energy infrastructure.

Following on from energy production, Lebanon's economy must be fundamentally overhauled to promote productive and job creating activities with a strong emphasis on environmental sustainability and high-quality outputs. Economic incentives that reshape tax, trade and financing are necessary to direct and regulate the private sector as the lead engine of economic and social recovery in Lebanon.

## POLICY AND BEHAVIOUR: TWO SIDES OF THE SAME COIN

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Poor regulatory standards and essential service provision have for decades forced most Lebanese to resort to environmentally and economically unsustainable

practices – such as heavy private vehicle use and overconsumption of imported goods – in their everyday lives. Generally poor economic conditions and a lack of investment in energy efficient buildings, appliances, and transport have also hindered a shift toward more sustainable consumption behaviours.

However, Lebanese can now literally no longer afford the artificially cheap, short-term minded, and heavily polluting consumption practices that both government and individuals have relied on. The immediate shift in behaviour patterns due to greatly diminished purchasing power has already begun forcing individuals and businesses to reconsider practices in the areas of energy efficiency, waste management, public transport and agriculture.

The neglect of productive local industries and skilled workers, and tacit government allowance of nepotistic monopolies in key sectors, has prevented industry from being in a healthy state to capitalise on these shifts and become sources of innovation and job creation. With the right policy measures, this can be quickly remedied however.

## THE ECONOMIC SHIFT WE HAD TO HAVE

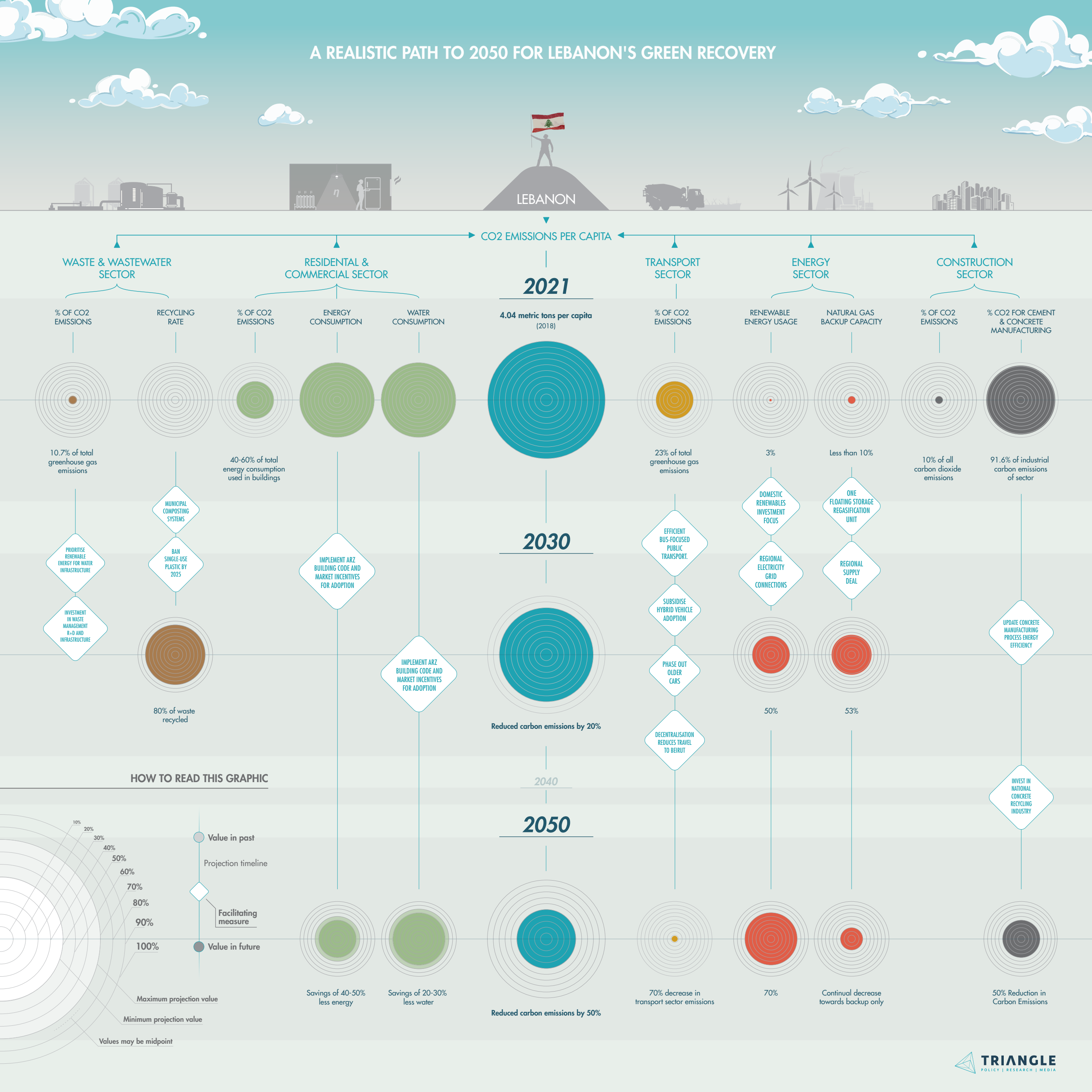
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The characteristics seen in everyday Lebanese' responses to their further impoverishment in the current crisis are telling of the broader societal and economic shift that must be brought into being through structured and comprehensive planning and regulation. A return to locally produced foods, rapid installation of solar panels among those who can afford them, and scrounging through garbage for anything of value for those who can afford nothing, are several starkly contrasting symbols of what Lebanon needs as a nation to realign its overarching economic and social models.

This realignment must be based on the acknowledgment that Lebanon's previous way of doing things has surpassed its sustainability, and that given the extent of the environmental damage this has caused, all change must prioritise sustainability if Lebanon is to approximate decent living standards for the majority of the population.

Productive economic sectors such as manufacturing, farming and high-skilled innovation hold the keys to Lebanon's ability to simultaneously recover its economy and environment. Policy must support these sectors to shift away from and cheapest-possible operating models that extract high social and environmental tolls to high-valued added and high-quality exports that rebalance the trade and foreign exchange deficit. Innovation among Lebanon's highly educated population must be leveraged to reduce import dependence through the creation of local alternative resources sourced from existing assets via circular business models – and to incentivise Lebanon's brightest minds to stay in the country.

# A REALISTIC PATH TO 2050 FOR LEBANON'S GREEN RECOVERY



## HOW TO READ THIS GRAPHIC

