

## Is Lebanon Ready for CEDAR Conference?



On April 6, 2018 while elections will be underway on the ground, Lebanon will be seeking \$17 Billion at the Paris IV conference (CEDAR).

A National Infrastructure Investment Program was prepared for this international event, which covers the next 12 years - from 2018 until 2030. The document, which consists of 165 pages, is divided into three phases of 4 years each. Phases 1 and 2 target a total of \$17.25 Billion, while phase 3 targets an amount of \$5.7 Billion, bringing the total amount around \$23 billion. The transportation sector represents 33% of phases 1 & 2, while electricity, water projects and wastewater treatment and distribution networks will account for 21%, 18% and 14% respectively. In the third phase, 35% of the funds will go towards electricity (generation and distribution), and 30% will go towards all remaining sectors and land expropriation.

Since 1993, the government has been asking for loans, which were subsidized by international donors. Most of the lending was made to improve infrastructure. Yet, the improvements were evident until recently, 25 years later; the quality of roads has deteriorated and public transit is still out of reach.

If the current government is asking for more loans (\$17.25B) for 250 projects from CEDAR and other conventions yielding similar past results, then the economy will be under serious default status in the near future.

### Methodology

The report did not emphasize on the important role of municipalities and local authorities in maintaining and funding the infrastructure facilities used by their residents every day.

The ideal way to avoid any economic pressure is to let the private sector play a role in running infrastructure projects.

To achieve that, local companies must participate in build-operate-transfer (BOT) and public-private partnership (PPP) projects using subsidized loans from donor countries, yet the state retains the ownership of these projects.

It is too risky to ask the current administration to manage any large-scale infrastructure and public projects, due to the under-qualified staff and the bureaucracy of the system. If this reality doesn't change, and corruption remains widespread, then the debt will accelerate and the economy will suffer in the nearest future.

The lack of strategic thinking in the report is reflected by the same approach that was used in the official programs that were done in the past 25 years. There are no noticeable improvements, only the same ideas and recommendations that were said before.

If we invest in building a strong and modern infrastructure system, we can create prosperous cities, towns and suburbs where businesses thrive and people of all incomes and ages can become productive members of society.

## **Supporting Data**

The National Infrastructure Investment Program was based on data and analysis prepared by relevant ministries, which usually employs unqualified staff. The findings were marred by the lack of transparency and biased data.

An example of lack of transparency and biased data is the exclusion of the new expected building licenses from the transportation analysis.



Politics played a major role in this program. One example that highlights this, are the periphery roads around the capital. Such projects were proposed over 30 years ago, with most of the expropriations completed since then. However, these projects never saw the light. If they were executed, then the price of land and residential units in Beirut would be lower and affordable for its businesses and residents.

It is clear that the government lacks the required data and skills for proper design and strategy implementation for infrastructure planning.

The absence of national credible data related to infrastructure and community expansion is simply not a valid excuse for the government.

## **Technical Assessment**

The report admits that most of the listed small and medium term projects need more feasibility and technical assessments.

Yet, this still hasn't been done.

The layout and content is not up to the standard, as some tables contain unclear and confusing comments, as well as figures lacking supporting data.

In other cases, design jobs for several projects were completed, but the execution was not planned to be done in the short term, which begs the question: why pay for such designs now if the projects weren't executed immediately after?

This is one example of corruption and incompetence in money management.

The report also admits that the administrative capabilities of the local authorities "are not qualified to the scope of such a national task"; this seems an odd confession to make at the CEDAR conference among international donors.

The only way to convince the donors is if the financing will go to the private sector, which is highly qualified in the BOT for most of the proposed projects. (Page 87)

The report also states that many wastewater treatment plants were executed but it were inactive due to the lack of experience of the concerned authorities to run such projects. (Page 93)

The report also mentions that the authorities refused to pay the electricity bills, which resulted in the shutdown of these plants. This should simply not be mentioned at a donor conference that will significantly shape Lebanon's economy for the next decade. (Page 122)



The power generation section was well presented and the data was logical, however I suggest focusing on the PPP option.

The use of Syriatel network and services in North and East Lebanon should be completely blocked, no reason to mention our deficiencies in an international report, this is a simple obligation on the government. (Page 149)

In the telecom section, most of the technical terms were translated into Arabic in a confusing manner (broadband, IMS/LTEA etc.)

Solid Waste management section was not fully covered.

### **International Experience**

An infrastructure report prepared by a state to raise an amount of \$17.25B from international donors must be organized and well prepared with supporting data. This report includes general ideas, with unclear figures and confusing costs. It would be extremely beneficial for Lebanon to look at the experiences of other countries and learn from them.



Australia's National Ports and National Freight strategies provide a useful blueprint for an effective model of public-sector leadership and investment in infrastructure. Launched in 2010 and 2011, these programs aim to coordinate planning and funding across all levels of government for key transportation infrastructure systems, improve quality, and attract additional private-sector investment.

Other countries — including the United Kingdom, Denmark, Sweden and France, have also launched similar infrastructure programs, demonstrating

that strong public investment and strategic leadership is a prerequisite for modernizing and strengthening national transportation infrastructure in the context of the highly competitive global economy. The success of these and other countries in making infrastructure investment a national priority can provide several lessons for the Lebanese government.



The report did not cover the economic benefits in clear statistical figures, where reinvesting in infrastructure presents a unique opportunity for the Lebanese economy. While the challenges are great, the economic benefits associated with infrastructure investment can be powerful and sustainable.

Such benefits are:

**Employment:** \$1B investment in infrastructure will provide as much as 25,000 potential new job opportunities in Lebanon. In the first three years following an \$83 billion infrastructure investment package in the US, 1.7M job opportunities were created. (ASCE- University of Mass)

**Productivity:** The positive impact of infrastructure spending on growth has been well documented. A recent study from the University of Maryland, USA, found that every dollar spent generates as much as three dollars in new economic activity. A similar figure could be included in the report if based on a credible analysis of the Lebanese economy.

**Competitiveness:** The estimated impact of underperforming infrastructure on U.S. households is an average annual loss of \$3,100 in disposable personal income, which is associated with a roughly \$2.4 trillion reduction in aggregate consumer spending. (US Congressional Budget Office)

### **Conclusion:**

Infrastructure is the backbone of a modern, competitive and productive economy. Although the challenges of maintaining such a complex and expansive system are significant, strengthening the infrastructure presents a crucial opportunity for policymakers to



to prioritize and reinvest in the critical drivers of future economic growth and competitiveness. The benefits of doing so are substantial: infrastructure creates and sustains middle-class jobs, boosts productivity, and helps attract and retain business investment. I believe that strategic public-sector leadership is indispensable to reversing the underperformance and deterioration of the Lebanese infrastructure, which provides a critical foundation for economic growth and sustained competitiveness.





There is a very limited time to update the report by an Ad-hoc committee of professionals and it would not be an easy task. But it is feasible if the government succeeded in selecting the right personnel to access data from all authorities. The report can be subject to major revision in order to improve the content in line with international standards.

The report is targeting \$17B and represents a briefing of 250 projects.

However, this amount is in excess of what we expect to generate, in the exception of the \$5B for the projects that will benefit the Syrian refugee population. It must be noted that this emphasis on the Syrian refugee crisis will further incentivize them to remain in Lebanon.

The question now is: will this program convince the donors?

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