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**Enhancement of the Business Environment in the  
Southern Mediterranean**

**Institutionalising a Public-Private Dialogue for  
Industrial Export Promotion**

**Report**

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## TABLE OF CONTENT

<b>ACRONYMS AND ABBREVIATIONS .....</b>	<b>4</b>
<b>1. INTRODUCTION .....</b>	<b>5</b>
<b>2. KEY FINDINGS OF THE ROUND OF CONSULTATION AND FOCUS GROUP .....</b>	<b>6</b>
<b>3. SUMMARY OF GOOD PRACTICES IN THE AREA OF PPD .....</b>	<b>10</b>
<b>THE TOR OF THE CONSULTATIVE PANELS INCLUDES: .....</b>	<b>11</b>
<b>4. PROPOSAL FOR A PPD FRAMEWORK FOR LEBANON .....</b>	<b>15</b>
<b>5. PROPOSED AGENDA AND ROAD MAP FOR THE PPD .....</b>	<b>20</b>
<b>6. CONCLUSIONS AND RECOMMENDATIONS.....</b>	<b>28</b>

## Acronyms and Abbreviations

ALI	Association of Lebanese Industrialists
BSO	Business Support Organisations
EBESM	Enhancement of the Business Environment in the Southern Mediterranean
EU	European Union
ICT	Information and Communication technology
KSA	Kingdom of Saudi Arabia
MOI	Ministry of Industry
MOET	Ministry of Economy and Trade
MOF	Ministry of Finance.
MOFA	Ministry of Foreign Affairs.
MOA	Ministry of Agriculture.
OMSAR	Office of the Minister of State for Administrative Reform
PCB	Printed boards
PSD	Private Sector Development
PPD	Public Private Dialogue.
SMEs	Small and Medium Enterprises

## 1. Introduction

Within the framework of the “Enhancement of the Business Environment in the Southern Mediterranean” Project and in particular its activity on the Governance of the Small Business Act for Europe (SBA), a consultancy mission was carried out to assist the Ministry of Industry (MOI) in setting up an appropriate institutional architecture to conduct a structured dialogue with the private sector to develop Lebanese industrial exports. This public-private dialogue mechanism (PPD) includes representatives of three main sectors, namely, the Information and Technology (IT), Electronic Boards and Aromatic Herbs sectors as well as representatives of other line ministries and related agencies involved in export promotion issues, such as the Ministry of Economy and Trade, the Ministry of Agriculture, the Ministry of Finance, the Customs Authority, OMSAR, IDAL, among others.

The consultancy has especially focused on the architecture of this PPD mechanism and the layout for a structured dialogue between parties concerned, based on good practices in this domain. It proposes as well a six-month agenda, a road map/action plan, and methods and instruments to monitor and evaluate results. The proposal is based on the results of the consultations, interview and focus group meetings conducted with main stakeholders during this consultancy mission.

This mission is in line with the Lebanese government strategy to promote SMEs exports. Indeed, the Ministry of Industry has recently developed an export promotion strategy to develop SMEs industrial exports. The PPD will help improve SMEs export policy making process through structured, participatory and inclusive approach. The proposal builds as well on the results and recommendations of the seminar on Export Promotion that was held in Lebanon on 9-10 October 2014. It is worth noting here that one of the major recommendations emanating from this seminar was an urgent need to establish a higher degree of cohesion and collaboration between all Lebanese Institutions (Government and Private) supporting SMEs’ exporting potential. This must begin with a more systematic operational interface between stakeholders and a higher degree of interoperability of the support services provided, and must include all concerned parties and be capable and able.

The Ministry of Industry has the potential to play a leading role in this area provided it builds up an effective and efficient coordination and consultation process within and outside the Ministry. This role will ensure that Lebanon pursues a coordinated and coherent set of objectives, which give priority to economic development, and the capacity to integrate export promotion and support to the private sector in national development strategies. The political will and leadership being there, it remains to assure an efficient coordination with other line ministries, teamwork approach, and dedicated human resource to animate this process.

MOI like any public organisation in Lebanon shall be challenged in its endeavour by two main factors:

- 1- The weak internal coordination existing between government bodies as a result of the actual political turmoil in Lebanon; and
- 2- The built up of mis-trust (whether justified or not). from the private sector vis a vis the public sector

It is the role of the MOI leadership to overcome those hurdles by building inter-ministerial cooperation and by slowly but surely regaining the trust of the private sector; and to aim at becoming through this PPD a Secretariat for the export promotion mechanism for Lebanon. This however will require an important leap in terms of capacity building and public sector commitment.

The private sector is willing to enter into this dialogue and is expecting an efficient support from the public sector, despite this historical chronic lack of trust in the public sector, as mentioned above, as well as the reluctance or difficulty of the latter to modernise and possibly privatise some strategic institutions, especially those that have a direct effect on business development. There is an acknowledgment of the importance of the role of the public sector in facilitating the business climate within their sectors, at the local as much as at the export levels. Challenges, for the private sector includes a need to be better organised, and to strive for common/sector interests instead of only private ones.

In designing the proposal for laying out the architecture of this PPD, the primary objective was to enable the MOI to take into account effectively and efficiently most urgent and immediate needs of private sector. Thus, the proposed agenda and action plans are tailored to reflect the current priorities of these sectors but it is also designed to take into consideration expected future needs.

The proposed PPD structure focuses on the following main critical areas:

- **Clear vision** of the roles of the two sectors are expected to play in a given development strategy;
- An appreciation and understanding of the **complementarity** of the two sectors;
- A clear architecture for **fostering the dialogue** between the two sectors;
- **Modalities** for revising the roles of the two sectors as the action plans are being implemented and assessed.

The report is structured in six parts: (1) Key findings of the round of consultation; (2) Summary of good practices in PPD in other countries; (3) Proposal for a PPD architecture for Lebanon; (4) Proposed agenda and roadmap for the PPD; (5) Methods and Instruments to monitor and evaluate the results of the PPD; (6) Conclusions and recommendations.

## **2. Key findings of the round of consultation and focus group**

### **2.1 Private Sector**

#### **a) General:**

The findings were developed as a result of several, (9) quick, and separate interviews with different representatives of the private sector, topped with three focus group meetings organised by EBESM during one full day, whereby more representatives were consulted on the issues in question.

The general impression common to all sectors in relation to the enhancement of the private-public dialogue as well as its potential role in the promotion of exports were as follows:

- Acknowledgment of the importance of the role of the public sector in facilitating the business climate within their sectors, at the local as much as the export level; accompanied with a certain scepticism as to the ability of the public sector to deliver, based on past experience.
- The selected sectors are not homogeneous as to their size and contribution within the Lebanese economy and to their dependence on exports; however, they resemble each other in the lack of robust/well organized representation such as Associations, Syndicate, Bodies, and so on; even though, the experience of the IT sector in that matter is more developed than the other two.
- The perception among the private sector is that the consultation process between the sectors and the ministry is not institutionalized but is limited to personal relationships and is highly affected by the political affiliation of the minister in charge.
- Some companies, in particular from the IT sector, do not perceive the MOI as the most relevant ministry able to improve their performance locally and especially the export markets.
- Whereas some others, in particular from the electronic sector, believe that the MOI is well placed to improve their performance.
- Reforms envisaged by the sectors are not expressed in terms of policy reforms but more in terms of amelioration of expected services from the Ministry(ies), the creation of new services and the facilitation of inter-ministerial transactions.
- There is common perception among at least two of the sectors that the image of the “made in Lebanon” brand is weakened as a result of absence of a minimal public (sector) support which can be covered by inter-governmental cooperation, during the negotiation of bilateral agreements and through diplomatic representation abroad.

If we segregate some of the specific findings by sector, we can summarize as follows:

#### **b) IT Sector:**

- The impression of the IT Sector is that its affiliation to the Ministry of Industry has never been asserted and as a result they are still not represented in the Association of Lebanese Industrialists (ALI);
- Their participation in international tenders is highly hurdled by the unstable political situation in the country and the weak credibility of “The made in Lebanon“ brand to deliver. Some companies believe that a quality performance criteria established by the Ministry in a transparent manner could act as a referral for companies with international clients;
- As a result, Lebanese IT companies that want to work with European clients need frequently to create daughter companies in the EU at considerably higher costs, which is decreasing their international competitiveness;
- The IT sector is particularly suffering from the slow connection speed of the internet in Lebanon and the weak infrastructure; in this respect this requires urgent considerable upgrading in order to enable Lebanese IT companies also to use Cloud solutions.
- Little effort is done by the public sector to motivate the private sectors through subsidies to support international exhibitions, excellence rewards, and so on.

- Several IT companies suffer from a strong rotation of employees who start with them after college, acquire experience and then travel to work outside Lebanon with other companies because of the political situation;
- There is a need to mobilise the Lebanese Diaspora and to sensitize it into collaborating with local companies in the export markets they are established in;
- Several IT companies mentioned the delay of payment of the public sector in Lebanon as a problem, since this sector as a whole is an important client;

Several members of the sector were identified as potential champions for the sector within the PPD, as follows:

- 1) Mr. Joe Hatem from the company Profiles Software.
- 2) Mr. Robert Kanaan from the company PSI
- 3) Mr. Nabil Nader from the company Bi-Synchro
- 4) Ms. Joelle Succar & Ms. Josephine Tawk from the company Soft Solutions

### **c) PCB sector**

The electronic board sector is much smaller than the IT sector and is more focused on a B2B approach considering that its products are usually used as components of larger equipment. Hence it was noticed that several of the PCB producers owned other companies that produces related items such as electrical boards, generators, lifts, and so on.

The response of the PCB sector was clearly reflected during the focus group.

- Importance of upgrading the image of the Lebanese Hi-tech industry in the local market as much as in the export markets. This will create a sense of National pride for the Lebanese as well as promote exports abroad;
- Provide the locally made products equal chances for competition with imported products by making available locally some quality tests and certifications which can assess their competitiveness. Either to provide funding to do those tests in EU countries or make it available at the Industrial Research Institute (IRI); such as the test of the electro-magnetic compliance;
- The PCB sector suffers particularly from the red tape when they import certain components; issues like insufficient testing facilities, bureaucratic procedures for each shipment and slow processing time of shipments at the customs;
- MOI to rank individual producers by providing quality certificates issued by an independent qualified party or committee to attest the performance of individual companies according to criteria such as years in service, quality of products, creativity, reputation, etc.
- Make some funding or grants available for exhibiting in relevant International fairs;
- Make available export market intelligence to producers of the PCB sector; the producers rely so far frequently on personal contacts with the Lebanese diaspora abroad only;
- Subsidize International machines (imported from the EU or otherwise) that could be used in local industry;



- Provide priority in government tenders to local producers;
- Scrutinize EU certificates of origin to assess they are not produced elsewhere. Address the issue of European brands that do not specify whenever they are produced in China;
- Alleviate the VAT process from the tedious tasks of Vat refunds for components purchased by industry and re-destined for export without incurring any loss of tax returns to the government. A request has already been made through the MOI.
- Establish local norms for the industry products that will protect against unfair competition.

Persons identified as potential champions:

- 1) Mr. Ziad Boustany from S& AS
- 2) Mr. Elias Bechaalany from Automatix sal

#### **d) Aromatic Herbs sector**

This sector comprises mainly rural small producers and a small selection of medium industries having a larger portfolio of customers. This sector is quite related to the Ministry of Agriculture in the sense that most of the raw materials are natural and partly regulated by the latter ministry.

Several issues were brought up by the representatives, which can be summarized as follows:

- The cost of supply of raw materials is high and growers require technical assistance for optimizing its cultivation;
- The demand on aromatic herbs and essential oils is mainly at the export level. Locally it is mainly sold with the organic products or is conducted through an informal market;
- Sector needs to be protected from unfair competition caused by artificially made products that cost 3 to 5 times lower than Natural products and consequently are sold on the market much cheaper within the same category;
- New markets need to be identified to expand the sales of such items and for that reason the sector requires export market intelligence;
- Export market intelligence can also help to shift the production from herbal products in which the Lebanese producers are obviously not internationally competitive (such as rose oil) to other, more profitable products;
- Sector requires that ministry subsidizes quality certification for their products to enable small producers sell abroad;
- Ministry to assist exporters to overcome entry barriers at the borders of some Gulf importers such as Qatar and KSA;
- Ministry to assist the sector in development of sufficient warehousing capacities, which would enable sales of the products of the sector not only at harvest time when the prices are at an all-year low. (Some local examples show that the income of the farmers/collectors can easily double by availability of proper storage facilities).

Some names of potential champions were identified:

- 1) Miss May Trabulsi from Atayeb
- 2) Mr. Francois Rizk from Second house products.
- 3) Mr. Marwan Assaf from Assaf Biogarden (Essential oils)

## 2.2 Public Sector

There are other relevant ministries that should work in close coordination with the MOI in order to have a positive influence on the success of the PPD; their direct participation will facilitate reaching results. It is imperative at this stage to highlight that a PPD is a merely a dialogue that could and should take place between any ministry or ministries and the private sector if the rationality of this dialogue as far as improving the business climate can be demonstrated. It should be considered as a tool for improvement and that can be adapted to function in a flexible structure to act in synergy and not in conflict with the official roles and functions of the public sector. Hereafter are some of the roles of other line ministries as observed; at the time of this report we were able to communicate only with the customs authority and the Ministry of economy and trade.

The various ministries found relevant are as follows:

- Ministry of Finance and the Customs Authority considering the role of the latter in facilitating and speeding up customs formalities. In particular, in the framework of the Single Window with Customs Project of the EU, a Call Center Help Desk will be established by the Lebanese Customs. According to the customs, the procedures for exports and imports are already simplified and all regulations are accessible online; the filling-in of customs declarations is comparatively easy at the present stage. However, companies are frequently not well informed about the requirements.
- Ministry of Economy and Trade, for trade policy development, Intellectual Property Rights protection, and sponsoring trade mission. Furthermore the MOET is following the enactment of the PPP law and showed willingness to participate actively in the MOI PPD.
- Ministry of Agriculture as far as the Aromatic herbs sector is concerned;
- Ministry of Telecommunication seen by the IT sector as the major line ministry in charge of ICT infrastructure;
- OMSAR being part of the ministry of administrative reforms and is the official body responsible for modernising the administrative processes (e-government) and legal texts, including the anti-corruption law;
- Ministry of Foreign Affairs, as the commercial attaches are extremely helpful in disseminating Lebanon brands abroad and for local market intelligence;

### 3. Summary of good practices in the area of PPD

Public-Private Dialogue for Export Success has become a quite popular approach in the last three decades to foster exports and enhance the business and investment climate for exporting companies in developing economies. A few case studies may serve as good practice for Lebanon<sup>1</sup>.

#### A- Case Study 1: Malaysia

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<sup>1</sup> Sources: these case studies were compiled by the authors of this report through several sources selected from relevant websites and their own interventions in related seminars.

Malaysia started in 1983 with an institutionalised PPD that replaced the informal dialogue that was in place until then. The Malaysian government made it a priority then to create – with the strong involvement of the private sector – a business-friendly environment that would lead to more investment, growth and creation of jobs and income. Fundamental to the whole process was the shared belief that the nation is a corporate entity that is jointly owned by the public and the private sector as well and that both are working for a shared goal.

The Malaysian government established structural mechanisms and issued several directives to facilitate PPD through:

- Establishing Consultative Panels in each Ministry/Department/Office at federal, state, and district level;
- Designating high-ranking officials as chairs of the Consultative Panels, with membership in the panels deriving from public and private sector;
- Organizing regular meetings and Annual Dialogue Sessions with the private sector;
- Identifying the Secretariat for the Consultative Panels in each agency and designating an official to liaise with members from the private sector;
- Taking actions on matters discussed and decided upon in the Consultative Panels.

The ToR of the Consultative Panels includes:

- Simplifying rules, regulations and procedures related to the activities of the public sector;
- Preparing guidebooks to facilitate understanding of rules, regulations and procedures;
- Transparent decision-making process and reducing discretionary powers;
- Timely delivery of government services to the private sector.

The new approach in Malaysia that the public sector was expected to work closely with the private sector was not in line with the traditional working culture. It took therefore several years until both sides really started to have frank and open discussions in the Consultative Panels. Crucial for the success and the creation of what was later known as Malaysia Incorporated was the strong commitment of high government officials over the years that persistently implemented the new concept in a planned, coordinated and coherent manner. Accompanied was this process by intense training of lower and middle-ranking public servants that aimed at changing their mind sets toward the private sector.

A major success factor in Malaysia was the proactive role played by the Federation of Malaysian Manufacturers (FMM) that provided over the whole period critical feed-back and inputs to the government on policy as well as on operative issues. FMM also offered a platform for its members for sectoral consensus building and networking based on consultation among the members.

An even more intense PPD mechanism was created in 2007 with the establishment of the Special Taskforce to Facilitate Business (PEMUDAH). While in the previous Consultative Panels the chairmanship lay in the hands of the public sector, PEMUDAH is co-chaired by public and private sector as well. PEMUDAH has taken over the tasks of the Consultative Panels but it has an even broader scope of work. It is also a discussion and advisory forum for the improvement of the business surrounding in general and on the development of industrial policies. The areas where the Consultative Panels and PEMUDAH have achieved the biggest success over the past decades are trade facilitation and trade promotion.

Main lessons learned from the Malaysian example:

1. PPD can only have sustainable results when the public and the private sector are willing to engage themselves over a long period and with considerable joint effort.

2. PPD requires a change of the mind set of many of the involved persons. This change comes not only from the discussions but requires serious training efforts, especially at the middle and lower level of civil servants. The introduction of a PPD mechanism should therefore come with a needs assessment and a training plan for relevant civil servants involved in the process.
3. A strong involvement of Business Associations that ensure that the sector speaks with one voice to the government is crucial for the success of a PPD mechanism. Business Associations need therefore also to increase their own capacities in this respect.
4. PPD mechanisms should focus first on simplification of rules, regulations and procedures and other issues that can be addressed comparatively easily. At a later stage when a culture of working together is established, the PPD mechanism can address also issues related to industrial policy.
5. PPD consultation groups should be chaired by the public sector, at least in the first years.

## **B- Case Study 2: Armenia**

In 2000 Armenia institutionalised the up to then informal PPD by creating the Business Support Council (BSC) as a governmental structure. Legal basis is a presidential decree and the Prime Minister is in charge of the structure.

The objectives of the BSC are:

- Promotion of investments and fostering of the business activities;
- Development of measures aimed at elimination of administrative constraints related to investments and business;
- Coordination of interrelations between the business community and state bodies, designing an efficient coordination mechanism;
- Ensuring business community's participation in the elaboration of the economic policy of Armenia;
- Fostering the formation of a legal framework favourable for the regulation of investment and business environment.

Originally the BSC had 15 members, seven of whom were permanent members from the public sector, the other eight rotating members from the business community. Over the years the number of members was increased to 50. This reflects the fact that by time, the BSC gained the trust of the private sector, particularly the SMEs who asked for a possibility to join the BSC. The stronger involvement of the SMEs went in parallel with a reduction of the role of the oligarchs who had dominated Armenian economy in the transition period.

Permanent members of the BSC are by now:

- Prime Minister of Armenia (Chairman)
- Advisor to the President of Armenia on Economic Affairs (Deputy Chairman)
- General Manager of Armenian Development Agency (Executive Secretary, since the Agency also acts as BSC Secretariat)
- Minister of Economy
- Minister of Finance
- Mayor of Jerevan
- Chairman of the Armenian Chamber of Commerce and Industry

All BSC activities and the decision-making process within BSC are regulated in the BSC Charter. The BSC has regular meetings and submits the adopted decisions (recommendations) to the relevant governmental bodies and agencies.

Between the sessions of BSC, the work of BSC is carried out by a so-called “Pool of Problems”, a database of complaints raised by the business community. Once a complaint is received, it is addressed to a relevant decision-maker who is in charge for the area. Then responses with comments by the Armenian Development Agency are passed back to the company that raised the complaint. The complaint and the conclusion are discussed at the next BSC meeting. The success quote of these complaints is at about 66%.

As a result of the complaints and the BSC recommendations, the Armenian government has changed many laws and regulations, such as the Laws on VAT, on Remuneration, on Income Tax, on Profit Tax, on Legislative Acts, on Arrangement and Conduction of Checks, on Public Tenders, on Licensing, etc. BSC supported and helped to elaborate the Law on Electronic Signatures. BSC was also instrumental in terms of the abolishing of VAT for exporters.

Main lessons learned from the Armenian example:

1. Personal commitment of high-level decision makers (Prime Minister, Ministers) can be crucial for the success of a PPD;
2. PPD councils need to be comprised of permanent members from the key institutions of the public sector. The membership of the private sector representatives can rotate (that can help to avoid that the private sector representatives act mainly on their own behalf); a flexibility regarding the number of members is strongly recommended;
3. PPD councils need to have a charter that defines in detail the governance, tasks and working structure of this body;
4. PPD councils need to have a standard mechanism in place regarding how to deal with complaints from the private sector (such as the Pools of Problems mechanism of the Armenian example);
5. While at the beginning small companies may be not strongly involved in the PPD mechanism, a successful PPD mechanism will create over the years trust from the side of SMEs; that can also lead to a stronger engagement of SMEs in the work of PPD consultative bodies.

### **C- Case Study 3: Vietnam**

In Vietnam it is mandatory to involve the public and the business community in the law making process, but it is usually applied inconsistently and frequently inadequately. Business Associations and Chambers are notoriously weak and have therefore a problem to serve their members as a lobby which is addressing important issues to the government.

In a framework of a donor-funded project, the Vietnamese government was supported to revise its Enterprise and Investment Laws and get additional support to develop and increase the capacities of relevant public key institutions, such as the Central Institute of Economic Management (CIEM), the Prime Minister’s Research Commission (PMRC), the Vietnam Chamber of Commerce and Industry (VCCI), and the Ministry of Finance.

Interventions to assist the PPD include:

- Direct support to the organization of policy dialogue meetings between government agencies, the drafting committee of the Enterprise and Investment Laws, and the private sector;
- Technical assistance on how to implement PPD, including techniques in moderation, group discussion and internet use as an instrument of PPD;

- Help with the development of a Regulatory Impact Assessment that helps to increase the transparency of the policy making process and the quality of laws and regulations that affect the private sector;
- Assistance in involving the regions in the PPD by organizing Business Impact Test Panels with the aim to get feedback of the local businessmen regarding the new laws;
- Assistance in the information of the public about the PPD mechanism (awareness campaigns and information about the outcomes of the decisions).

However, PPD has not yet been institutionalized in Vietnam as in the first two cases. So far it has not yet been possible to create a forum based on a law or decree that uses the PPD mechanism outside the limited form of consultation with the business on a case-to-case basis regarding important new laws.

Main lessons learned from the Vietnamese example:

1. PPD mechanisms should go beyond case-to-case dialogues; without proper institutionalisation PPD mechanisms either fail or cannot unfold their full potential to lead to a better business climate and thus more growth and employment;
2. International donors are frequently willing to support the creation and establishing of PPD mechanisms over a longer period – once there is a visible commitment from the government; in several countries the creation of a PPD mechanism was declared a priority of the respective governments and international development agencies included multi-year activities to support this mechanism in their work plans.
3. PPD mechanisms need to take into account that the involved institutions and business associations need to increase their capacities considerably if the mechanism is expected to be successful.,

#### **D- Case Study 4: Croatia**

In Croatia, a tripartite National Economic and Social Council (GSV) with members from the Employers' Associations, the Trade Unions and relevant Government Ministries had been established, with 18 members. The focus of the GSV is on employment, labor and economic issues.

The experience with the GSV was in the first years of its existence rather mixed: although it was considered in principle a useful instrument, it showed also several weaknesses: sometimes inconsistent and inefficient governance structure; lack of a regional structure; and also the fact that the GSV had no mandate regarding the development of micro- and macroeconomic policies and issues that affected the competitiveness led to the decision to change the PPD mechanism.

With the support and technical assistance of a donor, the GSV established a regional structure of the GSV. In each of the counties of Croatia, a local GSV has been established. The local GSVs and ad hoc groups focus on competitiveness – they have clear objectives to identify constraints to regional/local economic development and develop strategies to overcome or eliminate those constraints. The issues and constraints that need to be addressed at a national level are then communicated to the national level councils or directly to the national government.

In parallel, a National Competitiveness Council (NCC) has been established that is in charge for macro- and microeconomic issues that affect the competitiveness of Croatian companies. The councils are organised as follows:

National Competitiveness Council (NCC) – five Government Ministers; nine business leaders (CEOs of leading companies and presidents of business associations); four leaders of trade union confederations; four professors from the leading universities.

National Economic and Social Council (GSV) – the eighteen members include six trade union confederation presidents, six representatives of the Employers Association, and four government ministers and two vice-presidents of government.

Local GSVs – an even split of members from government, the local Employers Association office; and trade unions (18 total members).

Local ad hoc competitiveness groups – mainly local business leaders with some participation from local government, academia, and trade unions.

The main results after the introduction of these new structures are as follows:

The local GSVs have had some successes, including input into some national policy reforms and improvement of several counties' business environment and resulting attraction of foreign investment. Several of the local groups have been very successful in developing and implementing changes in their business environment and in communicating their issues and proposed solutions to the national level.

The national councils are now taken seriously, and the Government and Parliament do utilize their recommendations. But, because Croatia's economic and social policy reform process is slow and uneven, the national GSV and NCC have had mixed results. For example, the GSV quickly developed an effective new labor inspection regime, but after almost a year of dialogue on amendments to the Labor Code, the resulting changes were mainly cosmetic.

Main lessons from the Croatian experience:

- Donors should provide training on process (e.g. effective communication) and substantive issues. It is most effective when it includes representatives from all social partners and they can discuss issues. Such training leads to improved relationships and communication, and can often lead to resolution of disputes.
- Donors should help facilitate relationships between councils and local experts as much as possible. This strategy builds sustainability by indigenizing the services and skills we bring to the project.
- Facilitation is of great importance to developing policy dialogue. In Croatia, as in other transitioning countries, there is limited experience and appreciation of using facilitators to improve stakeholder interactions and increase the productivity of meetings, seminars, etc.
- The public in Croatia and other transition countries still looks to the Government as the primary driver of the economic and social reform process, and the councils should work to change this perception through strategic public relations activities.
- Exposing GSV members to successful and professional economic and social councils has tangible improvement on GSV members' professionalism and attitude toward social dialogue and partnership.
- As demonstrated by the successful work of the social partners in other European countries, research and analysis are among the most important factors in building social partnership. Thus it is necessary to set up an arrangement for unbiased research and analysis to be performed, either through a secretariat, outsourcing to think tanks and experts, or through collaborative work between social partner experts as in Austria.
- Council secretariats are very important and their role should be well-defined and they should answer to the entire council, not one member, e.g. the Government.

#### **4. Proposal for a PPD framework for Lebanon**

##### **4.1 Introductory remarks**

The PPD activities are driven by the Ministry of Industry and targeted at the private sector players within the public-private mechanism for service delivery and public-private consultative bodies. This is supported by the highest level of the ministry through a Ministerial decision.

In order to build an effective consultative mechanism there should be certain **pre-requisites** that favour its success:

- The political will to engage in serious consultations;
- Participants in the process should be able to make credible commitments;
- Reform objectives should be well defined and specific;
- Internal processes and procedures should be transparent and participatory;
- A Secretariat to support the consultative process;
- The consultative mechanism membership should be authoritative and representative;
- There should be follow-up procedures for monitoring the implementation of the agreements;
- The consultative mechanism objectives and activities should be realistic about what is achievable in the country's economic, political and social context.

### ***Assuring a good start-up***

- Especially when there is a tradition of laissez faire in Lebanon and low commitment from the government it is important to establish credibility at an early stage. In such cases the government should try to build credibility little by little, perhaps by making highly visible commitments which can be verified in a short period of time.
- Meetings are less likely to degenerate into talk shops when the agendas are strict and clear and communicated well in advance, and when there are concrete proposals on the agenda that require decisions.

## **4.2 PPD objectives**

### ***General objectives of the PPD:***

- PPD promotes good public and corporate governance and sets an example of transparency and dynamism.
- PPD sheds light on the workings and performance of government institutions.
- PPD improves the quality of the advice government receives from the private sector by diversifying sources and by promoting more evidence-based advocacy.
- PPD creates a space where champions from the public and private sector engage in an open dialogue, invest time and effort in order to give the PPD credibility, expertise and publicity.
- PPD includes all levels: central, regional and local and works particularly on business enabling and investment climate issues.
- PPD will first focus on a small number of issues that will face the least political resistance in order to build trust between the partners (tangible, hands-on matters, and clearly defined sectoral problems).
- PPD as a main driver for economic policy reform on the following stages: assessing of and agreeing on problems; designing and legislating solutions; implementing reforms and monitoring/evaluating the impact of the reforms.



### Operational objectives of the PPD in Lebanon:

- **Objective 1:** Development of a PPD structure hosted by the Ministry of Industry ;
- **Objective 2:** Implementation of the Export Promotion Coordination Point through the PPD, covering three main industrial sectors: ICT, Electronic boards, Herbals. (see Agenda).

### 4.3 PPD stakeholders

#### A- Private sector:

- 3 industrial sectors: IT sector, PCB sector and the Aromatic herbs sector
- Association of Lebanese Industrialists
- IT Association
- Chambers of Commerce, Industry and Agriculture

#### B- Public sector:

- MOI, MOET, OMSAR, MOF, IDAL, Customs Authority, MOA, MTT

### 4.3 PPD flow chart

Proposed ideas for the structure

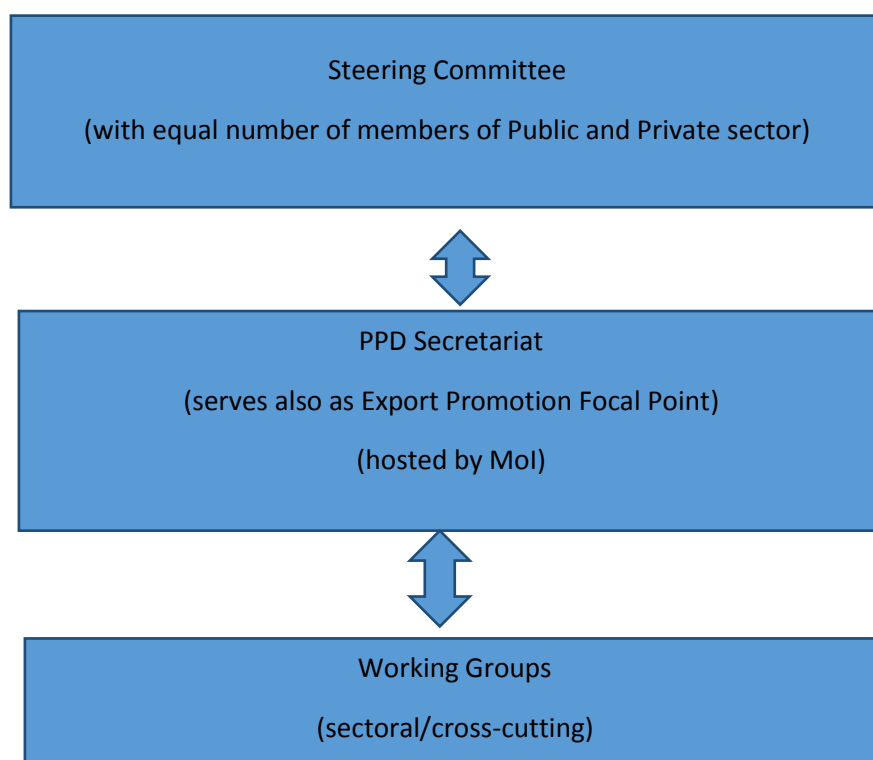
- A forum that includes representatives from the three sectors and industry associations and professional bodies. The government members representing all ministries with a stake in economic and industrial development such as the MOET, MOF, MOTT.
- Established according to a ministerial decision (sample will be added as an appendix)
- Scope/objectives/stakeholders.
- Location at MOI with assigned secretariat/Hot line (sample of ToR for setting up a secretariat will be added as an appendix)
- Secretariat reports to Steering Committee
- Balanced Steering committee, chaired by Minister of Industry
- The forum meets on a regular basis and works in conjunction with sectoral working groups, with secretariat services provided by the PPD.
- Working groups meet every month or ad hoc.
- Export promotion coordination point or focal point located at PPD secretariat.
- Internal procedures and templates to be documented.

	<b>Participants</b>	<b>Role/Responsibility</b>
<b>Steering Committee</b>	<ul style="list-style-type: none"><li>• Minister of Industry (Chairman)</li><li>• General Directors of Relevant Ministries</li><li>• President of Association of Lebanese Industrialists</li><li>• President of Lebanese Chamber of Commerce (optional: one member from a donor project that supports the PPD on a long term basis, as a facilitator)</li></ul>	<ul style="list-style-type: none"><li>• Sets Agenda</li><li>• Endorses new activities</li><li>• Facilitates constitution of relevant working groups</li></ul>

<b>Secretariat</b>	MOI Director General and his team	<ul style="list-style-type: none"> <li>• Coordinating role between participating business associations and Private Sector Development (PSD) policy reform advocates</li> <li>• Establishment of Forum project management plan, with specification of activities, deliverables, monitoring and evaluation framework</li> <li>• Convening and organization of Forum meetings</li> <li>• Delivery of Forum activities</li> <li>• Contracting external consultants/research as needed</li> <li>• Preparation of relevant PSD research and establishment of policy reform advocacy material</li> <li>• Organization of Business Support Organisations (BSOs) training</li> <li>• Delivery of communication and outreach programs</li> <li>• Sensitization on PSD issues, including development of an Export Promotion Strategy for Lebanon</li> </ul>
<b>Working Groups (sectoral)</b>	<ul style="list-style-type: none"> <li>• Private Sector Representatives from the respective sector(s)</li> <li>• Representatives from Involved Ministries/Agencies</li> <li>• Expert Consultants</li> <li>• Civil Society Representatives (if needed)</li> </ul>	<ul style="list-style-type: none"> <li>• Identification of related priorities and recommendations</li> <li>• Establishment consensual policy reform proposals</li> <li>• Monitoring reform implementation</li> <li>• Review/endorsement of technical committee</li> <li>• Support to ongoing implementation</li> <li>• Formulation and drafting of specific reform proposals (including technical and legal drafting)</li> <li>• Institutional change programs</li> </ul>

		<ul style="list-style-type: none"> <li>• Implementation activities</li> </ul>
<b>Working Groups (crosscutting)</b> <b>e.g. Export Promotion; Taxes; Customs;</b>	<ul style="list-style-type: none"> <li>• Private Sector Representatives (all sectors)</li> <li>• Representatives from Involved Ministries/Agencies</li> <li>• Expert Consultants</li> <li>• Civil Society Representatives (if needed)</li> </ul>	<ul style="list-style-type: none"> <li>• Identification of related priorities and recommendations</li> <li>• Establishment consensual policy reform proposals</li> <li>• Monitoring reform implementation</li> <li>• Review/endorsement of technical committee</li> <li>• Support to ongoing implementation</li> <li>• Formulation and drafting of specific reform proposals (including technical and legal drafting)</li> <li>• Institutional change programs</li> <li>• Implementation activities</li> </ul>

### A simple chart for a PPD mechanism in Lebanon



### **The role of the PPD Secretariat in the mechanism is as follows:**

- It facilitates a constructive dialogue between the Government and the business community, and thereby improves the investment climate, stimulates private sector development in Lebanon to raise employment, increase exports and improve peoples' lives.
- It raises the quality of the government-private sector dialogue and monitors progress on issues raised by the private sector. The Secretariat will facilitate and coordinate interaction within and between the private sector working groups as well as between the joint government-private sector working groups.
- It coordinates its overall activities with all relevant institutions and organizes joint government-private sector working group meetings and an annual Forum.
- It ensures that initiatives and issues emanating from the private sector are appropriately identified, broadly representative, adequately researched and presented to the Government through the joint government-private sector working groups in a focused, solutions-oriented manner.
- It monitors discussion of issues raised, implementation of potential solutions and disseminates information to the working groups and the broader community of businesses, multilateral institutions and donors.
- It serves as Focal Point for Export Promotion.
- It has no decision-making or policy-making powers.
- The impact of the Secretariat will be measured by the extent to which coordination and communications within and between the working groups is considered effective and efficient.
- Longer term indicators of success would be the degree of participation by the business community in the dialogue process and improvement in the business environment, leading to higher foreign and local investment activity.

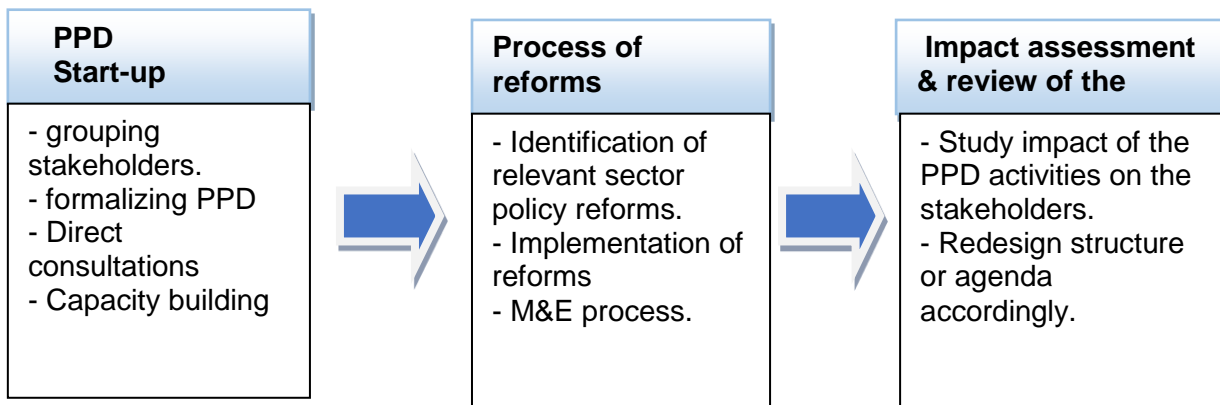
### **Tasks and Responsibilities of the Secretariat:**

- Promote a strong public-private partnership between the Government and local and foreign businesses by acting as a neutral honest broker between the various parties.
- Promote the Government-private sector dialogue within the business community to broaden and deepen private sector participation in the process, especially from local businesses.
- Act as a resource centre for private sector-led initiatives, with a particular focus on Export Promotion.

The Secretariat will report to the Steering Committee.

## **5. Proposed agenda and road map for the PPD**

The Agenda of the PPD action plan has been based on the several interviews conducted with the private sector, two meetings with the public sector other than the MOI, on the MOI vision for the industrial sector and last but not least on the acknowledged best practices for developing a PPD structure as discussed above. It is recommended that the PPD road map begins with a focus on soft outputs and in the medium or long term, depending on its rate of development, could mature into targeting hard outputs; either way it is valid provided that the PPD follows an agenda and action plan that reflects the road map and is regularly updated. It is also understood that the below action plan should act as a platform which will most probably be modified as soon as the PPD components become active.



Being a sector specific PPD it is convenient to build the action plan in its earlier stages on the issues and needs of the sectors. Inspired by the road map the action plan can be developed as such:

**Goal of the action plan:** Enhancement of private sector development and improvement in the business climate for Lebanese industrial sectors.

**Objectives of the action plan:**

- 1- Establish a sector specific PPD.
- 2- Use the PPD platform to enhance export procedures and markets.

**Activities and outputs:**

- 1- Related to building the PPD from the private as well as the public perspective.
- 2- Related to export promotion and the process of reforms.
- 3- Related to the Monitoring and Evaluation.
- 4- Related to impact assessment.

**Export promotion practices.**

The governing policy is to give priority to markets with the most potential for export growth, especially those where free trade agreements are in effect. The most important markets for Lebanon are the Arab and Gulf markets as well as the EU, in addition to second-level priorities determined through consultations with industry such as the African markets. The Ministry driven practices could include:

- Building awareness through a general industry or sector website development. The website could include information on the companies and potential market linkages.
- Work with sector committees for export readiness in terms of developing skills for small exporters in relevant sectors; preparing promotional documentations; supporting in quality certifications; protecting intellectual property rights; working with customs in the facilitation of imports for industry components; working with Ministry of Finance for the alleviation of refundable VATs; making available locally or subsidizing sophisticated or expensive product testing protocols.
- Promote Country branding activities by linking the name of Lebanon with all external trade missions related to all sectors, especially building on the more successful industrial sectors.

- Development of a detailed and updated industry directory which can be globally distributed and which can facilitate matching of sector companies with international buyers.
- Organizing Trade mission and attendance of international events that fit the type of products for each sector.
- Developing government policies for giving priority to local industry in the public tenders.
- Make testing protocols available locally so that local producers can improve their qualifications at a reasonable cost.
- Improving quality infrastructure necessary for exporters.
- Establish a mechanism that makes export market intelligence available for Lebanese exporters.

## 5.1 Action plan

<b>Goal: Enhancement of private sector development and improvement in the business climate for Lebanese industrial sectors in Lebanon; specifically the ICT, Electronic board and Aromatic herbs sectors,</b>				
<b>Objective 1</b>		<b>Launching of a PPD structure at the Ministry of Industry</b>		
<b>No.</b>	<b>Activity</b>	<b>Outputs</b>	<b>Actors</b>	<b>Indicators (Qualitative and Quantitative)</b>
1	<b>Establishment and formalisation of the PPD</b>	<ul style="list-style-type: none"> <li>- A Proposed structure: Secretariat and PPD Chart</li> <li>- Champions and stakeholders identified and consulted.</li> <li>- Secretariat assigned and location for secretariat.</li> <li>- Minister to formalize the PPD.</li> <li>- Official Launch of the PPD.</li> <li>- Secretariat to develop a <u>consultative mechanism</u> for the PPD</li> <li>- Development of a PPD logo</li> <li>Steering committee members identified and consulted.</li> </ul>	<ul style="list-style-type: none"> <li>- MOI.</li> <li>- EBESM</li> <li>- Private sector</li> <li>-other stakeholders.</li> </ul>	- Establishment of the PPD
2	<b>Resume consultation for the creation and first meeting of the Steering committee</b>	<ul style="list-style-type: none"> <li>- Steering committee established; chaired by the Minister of Industry and consisting of General Directors of the MOI, MOET, OMSAR, and representatives from the Private sector, ALI, Chambers.</li> <li>- Endorse PPD Chart which include:               <ul style="list-style-type: none"> <li>- PPD internal procedures.</li> <li>- Consultative mechanism</li> <li>- Export promotion coordination point.</li> <li>- Creation of three working groups, one for each sector, to assist secretariat in</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Private sector</li> <li>- MOI</li> <li>- ALI</li> <li>- Public sector</li> </ul>	Steering committee established and operational

		<p>consultation over export promotion issues as well as the identification of policy reforms</p> <ul style="list-style-type: none"> <li>- Development of templates for applications / requests.</li> <li>- Develop templates for a progress report.</li> <li>- Developing and implementing tools for e-consultation</li> </ul>		
<b>Objective 2:</b>		<b>Implementation of the Export promotion Coordination point through the PPD, covering three main industrial sectors: ICT, Electronic boards, Herbals.</b>		
1	<b>Preparation of an export promotion coordination Point</b>	<ul style="list-style-type: none"> <li>- Identify scope, and major objectives of the export promotion coordination point.</li> <li>- Main private sector targets, in terms of increasing exports and in the selection of market priorities.</li> <li>- Determine Baseline for targets.(Where we are now)</li> <li>- Prioritize activities by sector.</li> <li>- Development of a clear Agenda.</li> <li>-Developing the instruments for Implementation :</li> <li>Training of personnel for capacity building; Providing logistics ;</li> <li>Providing seed funds ;(ALI through its Export promotion council, inter-ministerial budgets</li> </ul>	<ul style="list-style-type: none"> <li>- Working groups.</li> <li>- MOI</li> <li>- EBSM report.</li> <li>- Private sector</li> </ul>	<ul style="list-style-type: none"> <li>- Agenda Established.</li> </ul>
2	<b>Collect information on relevant legislation/policies related to the three sectors &amp; Propose reforms</b>	<ul style="list-style-type: none"> <li>- Joint private public efforts to identify legislation (laws, decrees, drafts) related to the sectors in question.</li> <li>- Identify gaps related to production, marketing, imports and exports.</li> <li>- Determine Baseline for targets.</li> </ul>	<ul style="list-style-type: none"> <li>- MOI</li> <li>- Sector working groups</li> </ul>	<ul style="list-style-type: none"> <li>- Legislation gaps identified.</li> <li>-Policy reforms implemented.</li> </ul>



		<ul style="list-style-type: none"> <li>- Prepare, filter and Propose reforms.</li> <li>- Reform policy to include Lebanon's name in trade missions for country branding requirements.</li> <li>- Reform policies to favour Lebanese producers in government tenders.</li> </ul>		
3	<b>Raising Awareness Sector</b>	<ul style="list-style-type: none"> <li>Materials promoting the three sectors in terms of capabilities; added value; export readiness; credibility and so on.</li> <li>- Website development related to the sectors.</li> <li>- Activate cooperation with Lebanese delegations abroad.</li> <li>Promote "Lebanon" as country branding.</li> </ul>	<ul style="list-style-type: none"> <li>- working groups</li> <li>- MOI</li> <li>- External expertise.</li> <li>- MOFA</li> </ul>	<ul style="list-style-type: none"> <li>- Promotional materials prepared and approved.</li> <li>- Website developed</li> <li>-Lebanese delegations abroad supporting local industries.</li> </ul>
4	<b>Export readiness for the different sectors</b>	<ul style="list-style-type: none"> <li>- Provide market intelligence</li> <li>- Training packages &amp; development of skills for Private Sector</li> <li>- Alleviation of customs formalities.</li> <li>- Development of soft infrastructure (Intellectual Property Rights (IPR), standards &amp; conformance, legal metrology, trade statistics)</li> <li>- Support New product development-</li> <li>- Support product / company quality certification and sophisticated performance testing issues.</li> </ul>	<ul style="list-style-type: none"> <li>- Working groups.</li> <li>-supporting partners.</li> <li>- PPD Secretariat</li> </ul>	<ul style="list-style-type: none"> <li>- Industrial products meet export requirements in terms of quality and delivery.</li> <li>- Number of companies certified.</li> <li>- Sophisticated testing methodologies purchased or subsidized</li> </ul>

## 5.2 Challenges that the action plan might face

Without both public and private champions investing in and driving the process, it is difficult to sustain public-private dialogue and achieve reforms. Moreover, the absence of a culture of consultation and inclusiveness, rivalries among private sector institutions, and in some cases, lack of representation could also jeopardize the dialogue.

- Public-private dialogue creates both an opportunity and a risk when other lines of communication between government and society are weak. Done poorly, public-private dialogue can result in an unhealthy influence by an unrepresentative group of stakeholders, and consequently reinforce vested interests. Broad representation is an effective means of overcoming vested interests that undermine the process.
- In case of private sector interests are not well reconciled but are fundamentally opposed on certain issues, resulting in a sector that does not speak in one voice.
- Lack of funding and expertise often prevents business associations from developing the required level of technical and sophisticated knowledge on trade policy and negotiations issues to engage effectively with government agencies.
- The potential benefits of lobbying in trade policy tend to be lower for small and medium-sized enterprises (SMEs), due to the lack of economies of scale.
- Partnerships may become ineffective after a promising start, descending into a talk shop from which little substantive action results. Participants may become disillusioned with wasting time and energy, with negative effects on the credibility of public policy

### 5.3 Proposed Schedule

SCHEDULE	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Month	1	2	3	4	5	6	7	8	9	10	11	12

#### Objective1

Activity1												
Activity2												

#### Objective 2

Activity1												
Activity2												
Activity3												
Activity4												

## 5.4 Methods and instruments for building a monitoring and Evaluation mechanism

Building Monitoring mechanisms into the PPD structure should help in maximizing compliance. The PPD secretariat with the help of sector working groups is to develop monthly **progress reports** on target outputs.

Development of **Progress Matrices** showing positive progress is an excellent tool to keep track of the improvement as well as the time framework as well as maintain credibility among participants. Progress report should be delivered to the GM of the MOI but also discussed during the steering committee meetings. Example of a progress Matrix:

No.	Issue	Recommendation	Progress	Status	Implementation
1	Implementation of suitable VAT refund process for re-exportable components	Process to reduce formalities and payments prior to refund		Signed on the ....	Process implemented at the customs office.

PPD can utilize PPD evaluation tools such as the evaluation wheel (a radar chart) for the evaluation of the organizational process and effectiveness; and the PPD impact on the reform process

Relevant evaluation parameters in the case of the PPD can be identified as such<sup>2</sup>:

- Mandate and institutional alignment.
- Structure and participation.
- Facilitation and Management.
- Outputs
- Outreach & Communication.
- Monitoring and Evaluation.

## 6. Conclusions and recommendations

The benefits of the PPD are mainly channelled to the development of the private sector, while the PPD start-up should be a Public sector push. This is highly reflected through the MOI integrated vision 2025. Nevertheless early results, even if not highly ambitious, PPD will help in bringing the process forward, and should be able to broaden the base of the private sector. The success of the PPD shall also depend highly on the ability of the MOI to inject resources, to mobilize the support of other ministries and public institutions towards the goals of the PPD and on the private sector representatives to reconcile common targets among their members.

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<sup>2</sup> Source : [http://www.publicprivatedialogue.org/monitoring\\_and\\_evaluation/](http://www.publicprivatedialogue.org/monitoring_and_evaluation/)

## **Recommendations**

### **From the stand point of structure:**

#### **Short term**

- It is preferable that the Steering committee not exceeds 10 stakeholder representatives and should be balanced in terms of representation; it shall be chaired by a high level member of the ministry.
- Private sector must work on assuring a robust representation of each sector which will unify their voice in the endorsement of the targets. The selected champions are known for their engagement and experience in the field; nevertheless forming or activating associations for each sector will reinforce the role of the champions.
- The overall agenda should be endorsed by the steering committee but mainly implemented by the working groups from each sector. At least one group per sector.
- It is recommended at this stage that the secretariat be located at the ministry considering its crucial role in coordinating the communication process as well as in organizing consultation sessions among the various stakeholders.
- The Monitoring mechanism is essential in keeping the PPD in the compliance path but should not turn into a process to highlight failures only.

#### **Medium term**

- Broaden the base of the private sector and include a larger number of stakeholders such as associations, clusters, chambers, other Ministries.
- Associate sector working groups with technical groups which can address technological issues.

### **At the level of reforms:**

#### **Short term**

- Reform Targets should be ambitious but realistic.
- Thorough consultation between private sector and Public sector (maximize the number of relevant stakeholders involved) to clarify the needs especially when it concerns policy reforms.
- It is recommended to tackle policy issues that affect the efficiency and cost, especially those related to export services.
- Build capacity upon Public and private sector to diagnose and design reforms as well as to train Private Sector in the reliance on advocacy as a means to present and apply reforms with the public sector.

#### **Medium term**

- Consolidate access channels within private sectors as well as between PS and Government to facilitate access to the reform process.
- Target hard outputs that require broader reforms and robust advocacy skills.
- Follow up and build on the upcoming PPP law which will promote collaboration between Private sector and the public sector.