

Lebanon Economic Growth Initiatives Regional Business Services Cluster

Initiative No. 1: Regional Business Services Task Force

Why this initiative?

The purpose of this initiative is to set up a Task Force of key business leaders representing all major private sector industry associations grouped under the business services cluster, including banks and other financial institutions, publishing, advertising and media services firms. Its purpose will be to oversee the general direction and implementation of all initiatives undertaken for the business services cluster, and help firms in the cluster achieve a common consensus and speak with a single voice on issues of key concern.

A major reason for establishing this coordinating group is that no similar group yet exists that can effectively represent the common cluster-wide interests of these related sectors, and help oversee initiatives to rebuild Lebanon as a regional business services hub. Narrower industry interests currently are represented by various business associations for specific sub-sectors, such as commercial banking, insurance, and public accountancy. Their main focus is to represent their own sub-sector's interests. Other less formal groups, such as those representing interests of family firms and related groups, also operate with a relatively narrow perspective.

Wider private sector interests currently are represented by employers' or management associations, which tend to focus on many broader issues not directly related to the business services cluster. And government ministries and agencies, such as the Banque du Liban, must focus on regulatory and supervisory activities with wider concerns than those of the private sector or specifically the business services cluster. For firms in the business services cluster, the proposed Task Force will provide them with an overall coordinating body that can more effectively represent and pursue their common interests, with the goal of helping to regain Lebanon's role as a key regional business services center.

How will it be implemented?

The Task Force will meet regularly to bring together leaders of all related business associations under the direction of a key business community leader, to set strategy and review progress. It will be located in a leading university or business association and be supported by a secretariat with a small administrative staff. Initial organizational meetings, recruiting participants and related start-up activities will take about three months, after which the Task Force can be fully operational.

What resources are available?

An estimated budget for initial start-up tasks of about \$250,000. over the first year will require contributions from bi-lateral donors, from relevant business associations, and from major private sector corporations in Lebanon's regional business services cluster.

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Initiative No. 2: Modern Management Training

Why this initiative?

Training middle and senior managers in contemporary, state-of-the-art management techniques is critical if Lebanon is to compete regionally and globally in business services. Currently, financial management and related training is growing but remains relatively limited.

Few technical and professional training facilities exist. There are relatively few students enrolled in economic or business majors at universities. The Lebanese Bankers Association runs a series of training programs for member institutions, but on a relatively limited scale. Several financial training centers have been established, mainly by the largest banks, including Banque Audi, but are limited to their own internal use. Most are restricted to training their bank's own staff and management and are generally not open to employees of other Lebanese financial institutions or to non-Lebanese trainees from the region. There is a strong need to provide more targeted management training to a wider group of middle and senior managers of financial and other business services, through short-term courses that can be provided in the near-term.

How will it be implemented?

Short-term executive courses, of from three to five days, to one to three weeks, will be offered on practical topics directly related to current operating issues in finance, insurance, accounting, human resources, negotiating skills, etc. Instructors will include both foreign experts and expatriate Lebanese professionals, who will be identified and recruited by a professional contracting firm or university specialized in management training. Courses will be channeled through relevant business associations which will recruit appropriate participants from among member companies. Facilities such as classrooms and meeting rooms at hotels will be provided by participating business associations or universities.

This initiative is intended to become self-sustaining by including "training-of-trainers" in order to transfer management training technique to local instructors, and through tuition from participating companies and individuals to fully support program costs over the long-term.

What resources are available?

Initially, donor contributions and cost contributions by companies sending managers for training will support a budget to be determined depending on number of courses to be offered and demand. Additional resources may be available through other institutions offering complementary programs which may benefit by participating, including related university courses of AUB and LAU, internal training programs of major banks and financial institutions, and volunteer consulting and training programs supported by bilateral donors.

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Initiative No. 3: Lebanese International Business Network (LIBN)

Why this initiative?

Developing human resources is a critical requirement for re-building Lebanon as a regional business services center. Overseas networks of financial services professionals are a valuable link for Lebanon to state-of-the-art expertise in banking and financial services. In other service industries, including advertising and media services, Lebanese are also well-represented in other regional centers, particularly the Gulf.

Currently, accessing expatriate expertise is done on a relatively informal basis. Many contacts depend largely on family networks, and mainly benefit family-owned and managed institutions with well-placed members overseas. The only formal activity presently underway in this area is the UNDP/CDR program TOKTEN (Transfer of Knowledge Through Expatriate Nationals). However, this is a relatively small-scale program, having placed about fifty or so expatriate volunteer consultants over the past four years, with assistance so far limited to public agencies and excluding private sector firms.

The new LIBN initiative will help use expatriate Lebanese expertise more effectively, in two main ways. First, by bringing a more formal organizational basis to the current vast, but loosely-connected network of expatriates abroad. Secondly, by building on the current UNDP program to help extend it beyond simply public sector assistance to focus on the private sector.

How will it be implemented?

This initiative will be implemented in close cooperation with TOKTEN and related efforts. It will focus its consultancy activities in two areas. It will help develop data-bases on institutions and individuals abroad as appropriate by gathering together current data, building on it, and developing access to it. And it will help match identified expertise overseas to needs in Lebanon among private financial and related services firms, as well as business associations.

In addition to arranging short-term technical assistance, it will also develop a private sector business match-making function. It will help match up overseas Lebanese assets with opportunities in Lebanon for investments, joint-ventures, mergers, acquisitions, and strategic alliances with private firms. To build on existing efforts, activities will be coordinated closely with the CDR and TOKTEN.

What resources are available?

An initial budget of about \$200,000 initially to expand data-bases, and improve promotion will require contributions by donors. Medium term costs for expatriate consultancies will be mainly covered by private firms paying for services received.

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Initiative No. 4: “Lebanon: Back in Business” PR Campaign

Why this initiative?

Lebanon’s negative image internationally as a result of the extended period of civil war is considered by many firms to be a major weakness of the financial and general business services cluster in its effort to develop Lebanon as a regional services center.

The country’s negative image in the West, and particularly in North America, has not improved significantly even nearly a decade after the effective end of hostilities in the late 1980s.

A return to business as usual has not been widely recognized despite key improvements in infrastructure reconstruction, provision of services, and strong recent growth in Lebanon’s financial sector, in other industries and in the economy generally.

Now that domestic political stability has returned, significant economic progress has been achieved, and progress is finally materializing in the regional peace process, these three factors can be the basis for mounting a wide, promotional campaign with the theme of “Lebanon: Back in Business”. The PR campaign should be Government-led, with wide private sector input. An effective campaign could help the financial services sector expand institutional and private investments, and help develop other clusters by spurring tourism and growth in light industry and agribusiness through expanded exports.

How will it be implemented?

A major international public affairs firm should be contracted to mount a campaign with a special focus on the U.S. and the EU, to promote Lebanon specifically as a financial and business center of the region and an economic, cultural and transport gateway to the Middle East. The campaign could be modeled on other recent impressive efforts of south-east Asian and other countries through satellite broadcasts, print and other media.

This initiative will require close cooperation with a wide range of efforts, particularly those of the Ministry of Tourism as well as redevelopment agencies such as CDR and IDAL. It will benefit from private sector leadership from advertising/media services firms. It should be carefully coordinated with tie-ins to other related promotional events including trade fairs, cultural and sporting events likely to promote Lebanon worldwide.

What resources are available?

A relatively minimal budget would be needed to more effectively coordinate current activities, including trade fairs, tourist promotion, and cultural events, with contributions from the Government and the private sector and donors. A budget to be developed for a PR campaign will depend on scope, target markets, media placement and time period.

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Initiative No. 5: Corporate Structure Enhancement

Why this initiative?

This initiative is aimed at helping firms over the medium term to enhance their international competitiveness and efficiency in order to achieve sufficient economies of scale to compete successfully against other major private sector players in the Middle East region as well as globally.

The need for this initiative is underscored by the fact that only four Lebanese banks rank among the top one hundred financial institutions in the region in terms of capitalization, according to recent rankings of commercial banks in the Middle East. Moreover, all are listed well behind the top forty. Many firms in other services sectors including publishing, advertising, and media services also have small-scale operations compared to regional competitors.

Lebanese firms are constrained by several inhibiting factors. Most commercial banks and insurance companies have relatively small market shares. This often reflects the tendency to maintain family ownership and management which can limit the potential for expansion. More incentives are needed to encourage consolidation through mergers and acquisitions. To help diversify financing sources, more firms should be encouraged to list publicly on the Beirut Stock Exchange where so far only a handful of companies' shares are traded. And to expand access to current technology and management techniques, more firms should actively pursue joint-ventures or strategic alliances with appropriate domestic and international industry leaders.

How will it be implemented?

Under this initiative, a task force will conduct research on current best practices globally on consolidations through mergers and acquisitions, on encouraging firms to list publicly, and on strengthening firms through JVs and strategic alliances. It will disseminate its findings to inform companies about best practices and increase public awareness. And it will carry out policy reform advocacy activities on related issues.

The initiative will be led by a private sector business leader active in financial and related research activities, with input from associations representing commercial banks and insurers, from the Beirut Stock Exchange, and from relevant government ministries

What resources are available?

Initial activities will focus on coordinating complementary research efforts already being conducted by major financial institutions and universities, requiring minimal additional resources. Over the medium-term, budgets will be determined to cover policy reform advocacy activities and a corporate and public awareness campaign.

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Initiative No. 6: Middle East Training Institute

Why this initiative?

Developing an adequate long-term supply of high quality human resources for financial and business services firms through the establishment of a “Middle East Training Institute” is also a key requirement if Lebanon is to become the regional center of excellence in these fields. A Training Institute for longer-term programs is intended to supplement the short-term executive courses to be offered under Initiative No. 2 providing for Modern Management Training.

This initiative is needed because human resources available in Lebanon, although superior to those of many other countries in the region, still fall short of medium and long-term requirements for the private sector. Lebanon’s higher education system is relatively well developed, but constraints during the civil war have made it less able to meet the highly technical and rapidly evolving needs of modern financial institutions, particularly for management training, and financial information technology.

A further goal beyond supplying human resource needs of Lebanese firms is also to help revive Lebanon’s role as a center of educational excellence for the region. While Lebanon previously attracted many foreign students before the war, up to about 25 - 30% of total enrollment, the number of non-Lebanese students has dropped to an estimated 5 - 10% currently.

By supporting a Training Institute in a “public-private partnership”, Lebanon will be better positioned to regain its role as a center of education for the region.

How will it be implemented?

This initiative is intended to complement other existing business-oriented programs of universities such as AUB, and LAU as well as the French-curriculum business programs of the new Ecole Supérieure d’Affaires. Several current business programs, however, are relatively recent, or may be just starting to fine-tune training to the needs of private corporations.

Initially, the Training Institute will build upon existing relevant programs. It could be affiliated with or physically located in an appropriate university, to help bring together relevant current and new courses in a new program with private sector input relevant to financial and other corporate institutions. It could also cooperate with programs of the Bankers’ Association training institute, and possibly private corporate programs. At the same time, the participating universities are also likely to benefit from a wider private-public partnership.

What resources are available?

Initially, the Institute will help bring together relevant programs of AUB, LAU, and the Bankers Association, with donor support for later budget requirements to be determined.

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Initiative No.7: Information Technology Working Group

Why this initiative?

A key requirement for competing successfully as a regional business services center is ensuring that firms have access to, and the training to utilize, up-to-date, state-of-the-art information technology (I.T.). This is particularly important for financial institutions which have a critical need for the latest electronic financial information and services technology in order to maintain competitiveness in a sector at the forefront of globalization.

This initiative is aimed at complementing and building on information technology areas where many Lebanese firms in the cluster are already up-to-date. These areas include generally adequate access by financial institutions to basic banking software, the recent introduction of ATM machines nationally, and the recent establishment of new clearing systems for financial institutions to support operations and regulatory and supervisory functions.

Areas where the initiative will focus include keeping current with rapidly evolving information technology, and for firms less up-to-date, bringing them up to the highest international standards. This will be done primarily through improved training of middle-level professional staff to ensure that current hardware and software is efficiently used. Establishing quality I.T. training programs can both support Lebanese professional staff and firms, and attract trainees from throughout the region, helping Lebanon become an information technology center for the Middle East. A broader, long-term goal is also to assist efforts to raise the I.T. literacy of the general public in Lebanon.

How will it be implemented?

Initially, an Information Technology Working Group will be set up to identify current needs and capabilities of financial and other business services firms, and to develop a strategy for targeted training to help Lebanon become a regional I.T. center of excellence.

After the diagnostic studies, the Working Group will conduct targeted training for banks and other corporate staff, and support wider training of consumers. It will coordinate closely with similar efforts by private firms, by universities, by the Ministries of Telecommunications and of Economy, and with the Professional Computer Association.

What resources are available?

The initial diagnostic phase will require a budget of about \$150,000 from donors and corporate contributors, and build on current efforts, perhaps under the general direction of the P.C.A. The second training phase will require larger resources to be determined, with the support of donors, business associations and private corporate beneficiaries of training

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Initiative No. 8: Lebanese Parliament Research Center Working Group

Why this initiative?

This initiative will set up a Working Group to develop support for efforts to provide Members and Committees of Parliament with substantive, objective research and analysis on which to base informed decisions regarding draft legislation which directly impacts the private sector in Lebanon.

Many private firms see a need for key policy-makers and legislators to become better informed about the implications of legislation affecting the private sector, especially during the current reconstruction period when many policy reforms and new laws are being considered. A major current constraint is the general lack of accurate, up-to-date statistical data. Another is the tendency to evaluate the impact of legislation along narrow sectarian lines. Firms also see a strong need to speed up critical draft legislation stalled in the legislative process, including draft laws on securities markets, mutual funds, leasing, credit regulations, intellectual property rights, etc. And many support wide judicial process reforms, particularly in the commercial court system where enforcement of contracts is complicated by inadequate judicial recourse, and a more effective system of arbitration of commercial disputes is considered necessary.

An objective research and analysis center to support Parliament could also help clarify issues that have often led to adoption of inconsistent economic policies generally. New approaches might be found to help resolve the major dilemma resulting from the conflicting impact of macro-economic policies, where tight monetary policies intended to support currency rates through high interest rates for Treasury-bills result in crowding-out private sector borrowers, depressing consumption, productive investment and real growth.

How will it be implemented?

The Working Group will include representatives of all relevant business associations and economic research centers, and will focus on three activities. It will identify and analyze current efforts to establish a Parliamentary research center, particularly the new program supported by Canadian (CIDA) funding. It will determine ways to support current efforts or pursue new ones. And it may eventually coordinate policy reform advocacy activities itself, under the overall Task Force (Initiative No. 1) for Regional Business Services.

What resources are available?

A relatively minimal initial budget is needed to conduct initial research, of about \$10,000 to be contributed by relevant private business associations involved with policy research and advocacy activities. Longer-term donor and corporate support is to be determined depending on the scope of a future role in policy advocacy activities.

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Initiative No. 9: Development of a Capital Markets Authority

Why this initiative?

Lebanon's revival as a regional financial services center depends not only on developing commercial banking, but even more importantly on developing strong capital markets with a wide range of diverse services. A pre-requisite is for the Government to first provide the foundations for capital markets development by establishing an appropriate capital markets authority.

A draft Law of Financial Markets was developed under the direction of the Banque du Liban in early 1997 but to date has not been passed into law. Other financial regulatory laws also remain in draft form, including those governing mutual funds, leasing, etc. Comprehensive regulatory procedures for the Beirut Stock Exchange need to be established as soon as possible to bring its operating procedures up to international standards.

This initiative will mobilize private sector support for the establishment and continuing development of a Capital Markets Authority, to meet the critical need to provide the legal basis for regulatory and oversight functions, and to develop new financial instruments and institutions to enable Lebanon to compete as a center of capital markets for the region.

How will it be implemented?

A working group representing relevant financial institutions will direct two major activities. First, it will conduct research to identify what is needed to complete and pass into law the appropriate framework for oversight of capital market development. Secondly, it will contribute private sector input on a continuing basis by conducting policy advocacy activities, possibly with the role of coordinating advocacy of capital markets issues under the overall Task Force (Initiative No. 1) for Regional Business Services.

The Working Group will coordinate closely with all government ministries and agencies currently involved in developing capital markets legislation, including the Central Bank, and Ministries of Finance, and of Economy.

What resources are available?

An initial budget of about \$100,000 is needed to conduct research, with contributions from donors and all financial and related business associations. Later funding to be determined will depend on the extent of policy advocacy activities.