

THE DEMOCRATIC ECONOMY

الاقتصاد الديمقراطي

REPORT 2022

CHAPTER 1

MACROECONOMY

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The Solidarity
Directory دليل
تضامن

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We are grateful to the podcast guests: Viviane Akiki, Dina Abou Zour, Ali Nouredine, and Nabil Hassan. We would also like to thank the podcast interlocutors, Amir Moghrabi and Sana Al Sayegh.

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We are also grateful for funding from Friedrich Ebert Stiftung (FES) and their continuous support throughout the forum.

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EXECUTIVE SUMMARY

The Democratic Economy Forum 2022 at The Solidarity Directory, a project funded by Friedrich Ebert Stiftung (FES), conducted five workshops as part of the first chapter titled Macroeconomy. This initiative came out as a sequel to The Democratic Economy 2021 conference to proceed with the findings that came out following the on-going discussions that were taking place. The main objective of this year's forum is to focus on linking the work of The Democratic Economy conference with local politics through frameworks and tools that will propagate a democratic economy. This year's endeavor will also focus on involving people and encouraging them to take part in the discussions happening in several regions in Lebanon. This forum will also integrate key policy recommendations from the four themes covered last year into the three proposed chapters for 2022 which are **(1) Macroeconomy, (2) Regional Economy, and (3) Sectoral Economy**. The best practices proposed in contexts similar to the Lebanese context will be further explored across different regions in Lebanon and potentially put into action. This will be followed by an extensive and systematic research methodology which will be adopted by the team of The Democratic Economy. The proposed plan for this upcoming year will focus in depth on social justice and fostering an inclusive democratic economy by shedding light on minorities, such as migrant workers, refugees, and other marginalized groups.

The first chapter explored in-detail policies and the economic situation in Lebanon. It also involved discussions around fiscal policies, IMF reforms, governmental reforms, and work of donor funding. The workshops, held on the 8th ,9th, 29th, and 30th of April 2022 and June 3rd at The Solidarity Directory Office in Badaro, brought together social and political activists, students, and researchers.

During the first four workshops, participants reflected on salient issues that emerged in the last couple of years and tried to narrow down the root causes in order to suggest realistic recommendations. The fifth workshop paved the way for a practical work plan that included input from different groups of the population and ultimately contributed to responding to the ongoing crises in Lebanon.

INTRODUCTION

The Democratic Economy Forum 2022 at The Solidarity Directory, a project funded by Friedrich Ebert Stiftung (FES) conducted a series of five workshops as part of the first chapter of its activities entitled “Macroeconomy”.

The five workshops were titled:



Objective

The overall objective of these workshops was to initiate the conversation between a network of interested individuals to impact future action plans toward a democratic economy and ultimately contribute to responding to the Lebanese crisis. The specific objectives of this workshop were:

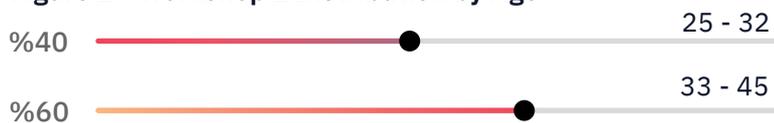
- To deliberate on using the knowledge brought by the conference to develop and/or inform recommendations targeting socio-economic issues.
- To develop a roadmap for future joint action around paving the path towards a democratic economy.

Target Audience

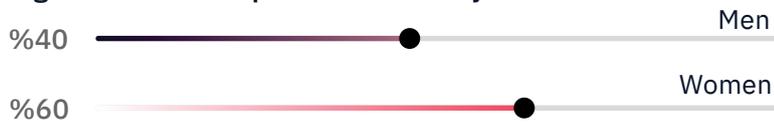
The workshop included registered participants after a call was circulated on social media (Refer to Annex 1 for more details). The distribution of participants was as follows:

W1: The International Monetary Fund (IMF) Policies: Swim or Sink

■ Figure 1 - Workshop 1 Distribution by Age



■ Figure A - Workshop 1 Distribution by Gender



W2: Fiscal policies in the wake of Lebanon's worst crises

■ Figure 2 - Workshop 2 Distribution by Age



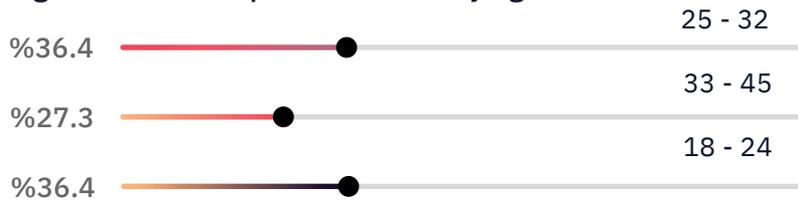
■ Figure B - Workshop 2 Distribution by Gender



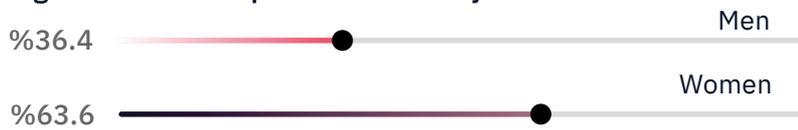
Target Audience

W3: Government Reforms

■ Figure 3 - Workshop 3 Distribution by Age

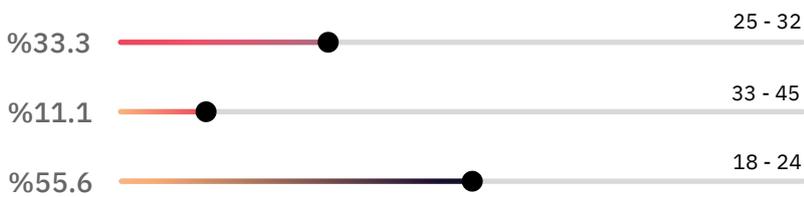


■ Figure C - Workshop 3 Distribution by Gender



W4: Donor Funding

■ Figure 4 - Workshop 4 Distribution by Age



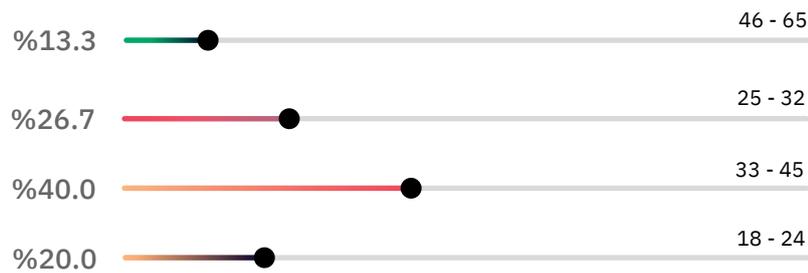
■ Figure D - Workshop 4 Distribution by Gender



Target Audience

W5: Linking Theory to Practice: Creating a Roadmap to Achieve Social Justice & Build a Democratic Economy

■ Figure 5 - Workshop 5 Distribution by Age



■ Figure E - Workshop 5 Distribution by Gender



Date & Venue

The workshops were held on the 8th, 9th, 29th, and 30th of April 2022 and June 3rd at The Solidarity Directory Office in Badaro. (Refer to Annex 2 for detailed agendas).

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APPROACH & METHODOLOGIES

This workshop was part of The Democratic Economy Forum 2022 in its first Chapter titled Macroeconomy. The workshop was designed to complement and take forward the knowledge generated from The Democratic Economy conference that happened in 2021. The approaches used during the workshop were highly participatory and engaging in nature. Participants discussed in groups during all the sessions to reflect on the main socio-economic issues that are currently on the table and translated the evidence into impactful initiatives for the community supported by the community itself through alternative socio-economic solutions adapted to reach a democratic economy. The last session of the workshop paved the way for a future roadmap for change, including the potential formation of a regional and local network to impact solidarity practice and research and ultimately contribute to responding to the Lebanese crisis. This chapter also included one-on-one podcasts with key informants in the field to discuss the issues presented in the workshops and spread them on social media for awareness and popularization. These podcasts discussed potential solutions to our financial and economic problems while advancing pathways for ethical finance.



Photo by [Daleel Tadamon](#) - One of the The Democratic Economy events in Beirut

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DESCRIPTION OF THE ACTIVITIES

The activities consisted of five workshops and four podcasts filmed for full days, which included several components as follows:

During the **first workshop**, the first part of the session focused on narrowing down the root causes of the problem and what fueled the existing crisis, prioritizing themes that emerged, and analyzing gaps and challenges. Participants were asked to reflect on whether or not an IMF program is unavoidable in Lebanon. Then they were asked to brainstorm and identify the implications of adopting the IMF on different groups of the population. The second half of the workshop was dedicated to an intensive working session where the participants identified three categories of recommendations: (1) **Ruling Class Recommendations**, those are the type that the ruling class and elite aim to implement, leaving disadvantaged groups in dire situations, (2) **Ideal Recommendations**, those are the recommendations that would be ideally implemented in a different context, and finally (3) **Practical Recommendations** which are possible to implement within the current reality.

During the **second workshop**, the session focused on discussing understanding fiscal policy, its reforms and limitations, in addition to understanding the difference between progressive direct taxes and indirect taxes. The first activity consisted of an exercise where participants identified where the government revenues should come from and where they should be ideally spent. In the second activity, to highlight the importance of just fiscal policies, the exercise consisted of identifying who benefits and who suffers (and to what degrees) following the current taxation system versus the ideal one.

During the **third and fourth workshops**, the first session included a discussion where participants explored what reforms are inevitable, in addition to the current aid response and understood their limitations.

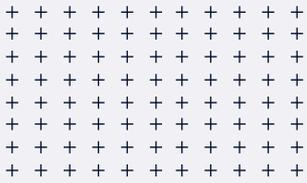
The second activity consisted of a working session where participants, from different sectors and backgrounds, looked into possible socio-economic alternatives coupled with reforms while assessing their feasibility and priority based on the current situation.

The session in the fourth workshop also discussed how aid should be channeled.

In the **fifth and final workshop**, the first part had the purpose of identifying the urgent demands in the short term and this was conducted through a participatory and moderated discussion. The second part of the workshop included a brainstorming session which yielded a plan that reflected the feasible ways to mobilize and organize the most disadvantaged towards change.



Photo by [Daleel Tadamon](#) - One of the The Democratic Economy events in Beirut



Regarding the podcasts, they stem from our belief that popularizing concepts related to political economy, solidarity, and democracy is crucial in today's endeavor to create an impact. These podcasts were a 20 to 30-minute shooting with economists, financial experts, representatives from local and international NGOs, researchers, lead thinkers, and members of political movements.

The first podcast revolved around IMF and fiscal policy from the lens of an activist and researcher, **Viviane Akiki**. This podcast discussed alternative economic model examples from successful experiences such as Tunisia and presented the potential of mobilizing and organizing people in Lebanon in a similar way with the hope of creating a similar impact to respond to the crisis.

The second podcast was filmed with **Dina Abou Zour** and was focused on the IMF and fiscal policy from the lens of the Depositor's Union. This podcast discussed the importance of including civil society and political groups in the IMF negotiations to ensure transparency and to present the real sufferings and needs of the people.

The third guest was **Nabil Hassan**, a consultant and partner at Beyond Group. This podcast focused on donor agencies and their role in the past two years. It also discussed the importance of government reforms being aligned with the received aid to minimize corruption and duplication of work.

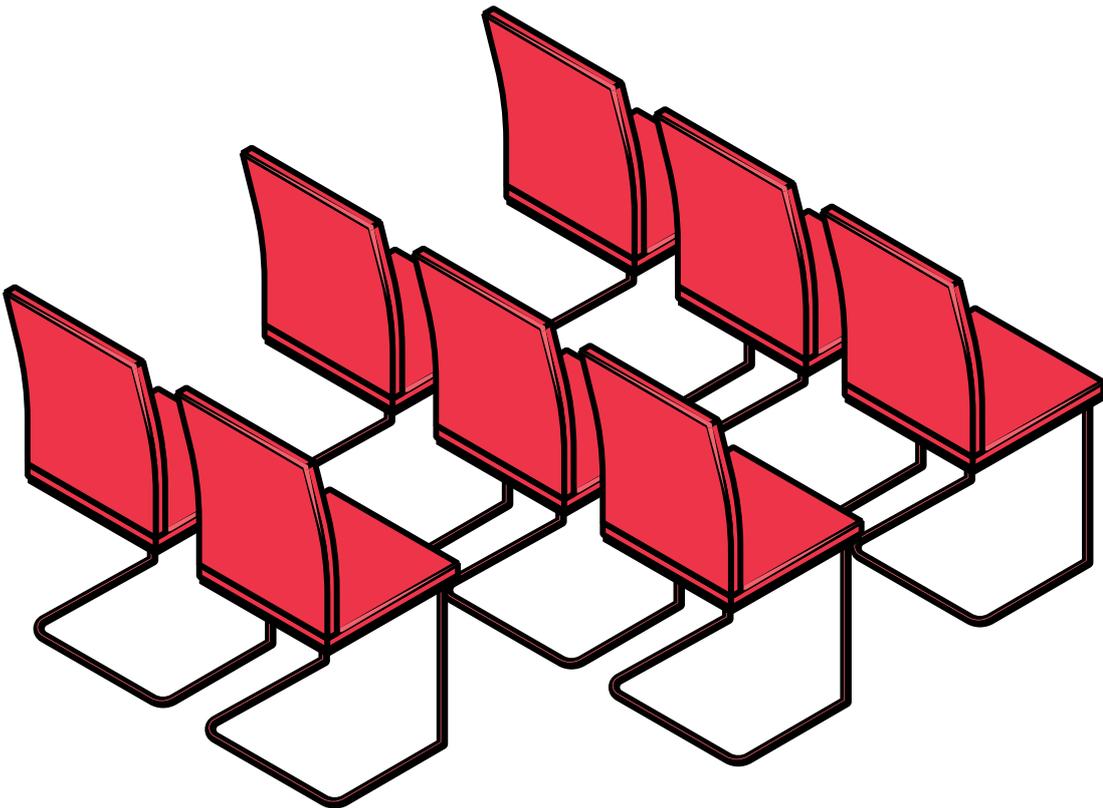
In the fourth podcast, **Ali Nouredine** discussed the reality regarding IMF negotiations and explained how the situation we are currently in could have been completely different had the government taken the necessary actions in 2019.

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WORKSHOP EVALUATION

Participants' satisfaction with the training workshop was evaluated through the end of every workshop (Refer to Annex 3) which consisted of a scale question that indicated how likely they were to recommend the workshop to someone they know.

The following table summarizes the results of participants' answers:



On a scale from 1 to 10, how much would you recommend this workshop to someone you know?

Scale out of 10
(Average)

NPS
Net Promoter
Score



W1: The International Monetary Fund (IMF) Policies: Swim or Sink

8.5

50



W2: Fiscal Policies

9.5

100



W3: Government Funding

9.8

100



W4: Donor Agencies

9.8

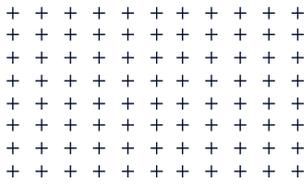
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W5: Linking Theory to Practice: Creating a Roadmap to Achieve Social Justice & Build a Democratic Economy

8.4

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When asked about what they liked the most in the workshop, most of the participants agreed that the organization and the participatory approach during the sessions and discussions were very beneficial, encouraging them to express themselves freely for the purpose of change.

The following are some statements written by the participants:



“The Democratic Economy is the only way out of the current crisis in Lebanon”



“It’s important to discuss among stakeholders how to democratize the economy; the topic is interesting and the approach was good.”



“The session is very rich. And the way socio economic issues are tackled in-session is very heterodox in nature, which is rare. It’s very interactive and eye-opening.”

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”أعتبر هذه الورشة مساحة نقاش نضع علي أساسها خطط عمل بأسلوب تشاركي، وأرغب بمشاركتها مع أشخاص تتقاطع طرق تفكير معهم”



“Because it provides practical insight into the topics/themes and combines people from different backgrounds for future advocacy and implementation where applicable”



”لأنها تنقل النقاش الضرائي و الاقتصادي الى حيث يجب ان يكون، عامة الناس. وتفتح الأفق أمام الشباب للتفكير بالواقع المثالي للسياسات الضريبية”

The participants had suggestions for topics for future workshops including : Cooperative Banking, Different economic models (SME, coop, association etc..) that reflect democratic principles and could revive the economy, getting involved with decision makers, Learning from the experiences of other countries, etc.

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RECOMMENDATIONS

1. THE SOCIO-ECONOMIC SITUATION IN LEBANON: ROOT CAUSES OF THE ONGOING CALAMITIES

Lebanon has been suffering under a harmful rentier economic model that has been festering since the end of the civil war. The system collapsed at the beginning of 2019, being manifested in the demise of basic services and the breakdown of the Lebanese currency in tandem with informal capital controls and refusal to open credit lines in foreign currencies to pay suppliers that began a couple of months later.

Examining the evolution of Lebanon’s political economy after the civil war in 1990 requires looking into the two main characteristics of the state, mainly the sectarian nature and neoliberal policies. The reconstruction plan under the premiership of Rafiq El Hariri consisted of rebuilding the country based on debt and transforming Beirut city into a regional hub oriented toward unproductive economic sectors.¹ Rebuilding the capital has not only been predicated on “privatizing the urban”² but it has also excluded people of lower classes, refugees, and many tenant owners.

Fast forward to today, the country is no longer able to balance its books by revenue from tourism, international aid and inflated profits from the banking sector and financial services. The reliance on the service sector that is affected by the endless geopolitical tensions in Lebanon and the region in addition to neglecting the productive sectors and dependence on imports have depleted the foreign reserves amid political turmoil and crisis in relation with the Gulf and other countries. Therefore, the country was obliged to default on its debts, rising alarm bells among lenders and making it very difficult to borrow again.

While there is a lot to be detailed on the root causes of the multidimensional crises, the following sections intend principally to underscore the long-term pitfalls that followed the reconstruction period with a special emphasis on the economic policies and possible solutions.

¹ Read more on: <https://metropolitics.org/The-reconstruction-of-Beirut.html>

² As described by Dr. Heiko Schmid in his article ‘Privatized urbanity or a politicized society? Reconstruction in Beirut after the civil war’, published online on 20 Aug 2006: <https://doi.org/10.1080/09654310500420859>



Photo by [Christelle Hayek](#) - Unsplash

2. AN IMF PROGRAM FOR LEBANON: SWIM OR SINK?

2.1 The impact of IMF conditionalities on the most impoverished groups in Lebanon

Before digging into the details of an IMF program and its implications on the residents of Lebanon it would be important to understand the different socio-economic challenges, their current repercussions and how they can be linked to IMF policies.

For decades, the government has been using foreign inflows and aid to subsidize the imports of basic commodities such as wheat, medicines, and fuel. This program was extremely expensive and mostly financed by the poor to benefit the rich. *“You might think that the aim of subsidies would be to support those who have less, but a rough analysis shows that up to 80 percent of subsidies may actually benefit the wealthiest 50 percent of the population, with only 20 percent going to the poorer half”* (UNICEF 2020).³ Today, most of the subsidies were halted, tremendously increasing the prices of all goods and adversely affecting the poor populations.

Similarly, Lebanon faces major failures in its social protection system as the ruling elites have opted for an informal one to strengthen and maintain their clientelist networks which reinforce the status quo and expand their sectarian and political influence. To elaborate, the majority of the population in Lebanon does not benefit from formal social protection and is occasionally compelled to engage in a series of clientelist relationships in order to secure the bare minimum standards of living and well-being. The social protection landscape in Lebanon is comprised of a variety of dispersed unsustainable schemes. In other words, the huge dispersion of the offered programs and social safety nets has created a significant coverage gap in society, which has fueled social injustice and left a sizeable segment of the people behind. Furthermore, the requirements for enrollment in such programs do not always prioritize those who need protection the most.

While the country is in chaos, those in charge have failed to implement essential reforms which have eroded the international community’s trust in the state institutions. An IMF loan that was easily avoidable a few years ago is now deemed as a prerequisite to receiving any support from foreign countries. In fact, Lebanon has been receiving technical advice from the IMF through Article IV reports for years, yet has never benefitted from a bailout package which will surely require committing to extensive policy reforms and austerity measures.⁴ The negotiations have officially started and a staff-

level agreement has been reached that could possibly, if approved, get around 3 billion USD over a period of roughly 4 years. However, it was argued that the timing of this deal right before the elections aimed at rescuing the political establishment and sustaining the status quo.

Apart from that, the IMF has a reputation for aggressively promoting neoliberal changes particularly in underdeveloped and developing countries. Moreover, it is perceived as a tool for advancing the economic interests of the US and the European countries that dominate the decision-making at the Fund. For instance, the IMF has for long supported the peg and has explicitly mentioned in 2019 Article IV: *“The BdL has been the linchpin of financial stability and protecting the peg, but at the cost of intensifying sovereign-bank linkages, which pose risks to banking sector stability, and weighing down its balance sheet while protecting banks’ profitability.”* While the elements of an IMF program are still unclear and vague, it is likely to start by austerity driven measures namely reduction of public salaries and lowering the benefits of public servants in addition to tax interventions that will plausibly increase the indirect taxes.

In a nutshell, an IMF program will have a negative impact on the most vulnerable in the country. Among the critics of the Fund is that it relies heavily on compressing domestic aggregate demand and consequently decreases the government spending, affecting the marginalized, low-income classes, and women who account for 31% of public servants (CAS, 2011).⁶ The IMF will most likely encourage privatization under the pretext of fighting corruption. Doing so will worsen the situation of the public sector that is already underfunded and will transform essential basic needs such as education, hospitalization, electricity into luxurious commodities that only few can afford. Adding to that, an IMF program aims at stabilizing the balance of payment with no attention to inequalities and the necessity of implementing inclusive social protection schemes to reduce poverty and support the two-thirds of the poor in the country.



³ Read more on: <https://www.unicef.org/lebanon/press-releases/hurting-toward-precipice-no-parachute-attached>

⁴ Read more on: <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/621062/bp-imf-lebanon-economy-crisis-121020-en.pdf>

⁵ Read more on: <https://www.imf.org/en/News/Articles/2022/04/07/pr22108-imf-reaches-agreement-on-economic-policies-with-lebanon-for-a-four-year-fund-facility>

⁶ Read more on: http://www.cas.gov.lb/images/PDFs/Gender_statistics/Status%20of%20Women%20in%20Lebanon_Dr.%20Maral%20Tutelian.pdf

2.2 What can still be done?

The IMF needs to consult the civil society organizations, independent workers' unions, orders of professionals, and other stakeholders in order to ensure all groups in society are represented and involved in the elaboration of the reforms and the plan for economic recovery.

One example we can learn from is the Tunisian experience with the IMF, where the UGTT Labor Union refused the terms of the harmful and painful conditions of a new loan to bail out the country and launched a strike in public companies.⁷ The strike action aimed to defend the workers' economic and social rights and ensure some sector firms remain publicly owned.

Similarly, the Lebanese civil society organizations and workers' unions and orders must mobilize their efforts towards evidence-based strategies to impact policy decisions and push for a deal with the IMF that ensures social protection of the populations. For this end, workers, grassroots, and independent organizations should create a coalition to advocate for a more inclusive and accessible economic recovery plan and a universal social welfare system.



7 Read more on: <https://www.reuters.com/world/africa/tunisian-labour-union-warns-strikes-imf-talks-loom-2022-10-03/>

8 As mentioned in: <https://www.arab-reform.net/publication/which-tax-policies-for-lebanon-lessons-from-the-past-for-a-challenging-future/>

9 Read more on: <https://www.arab-reform.net/publication/which-tax-policies-for-lebanon-lessons-from-the-past-for-a-challenging-future/>

10 See more on: <https://wid.world/country/lebanon/>

3. FISCAL POLICIES IN THE WAKE OF LEBANON'S WORST CRISES.

3.1 Taxation system in an unequal country

Lebanon relies heavily on indirect taxation that is regressive, impacting those on lower incomes more. For instance, it was projected by the Ministry of Finance that in 2013, the payment of VAT made up 3.9% of the consumption expenditures of poor and lower middle-class households, compared to 7% for upper-middle-class and wealthy households.⁸ The taxation system is archaic with wages, property income, and inheritance taxed at progressive rates that are still not very progressive despite the most recent increase in 2019 for the top incomes from 20 to 25%.⁹

Due to Lebanon's extreme inequality, the problem of the current tax system is particularly crucial. Numerous studies have demonstrated the excessive concentration of income. For instance, according to the World Inequality Database, in 2021, the richest 10% earned 55.5% of the nation's income, and the bottom 50% received only 10.3%. The disparity at this level is among the highest in the world and is also considered extreme if we were to mention the drastically uneven distribution of bank deposits and the wealth inequalities, with the top 10% owning 19% and the bottom 50% owning just 0.1%.¹⁰

3.2 Needed actions for inclusive and sustainable economic growth

A key component to responding to the current financial and economic crisis and forging a dynamic and sustainable economic growth path is to start rebuilding the tax base on the tenets of efficiency and justice. Yet, this cannot be accomplished without the trust of the people in the government. Therefore, fighting tax evasion and tax avoidance should first take place in order to pave the way for a progressive tax system and a one-time-off tax on wealth. By the same token, the abolishment of bank secrecy is a required prior condition to taxing the revenues of liberal professions and capital gains and transfers of money from the Lebanese abroad.

The current taxation system puts the burden on the shoulders of the poorest, leading to a contraction of demand and consequently the economy. Thus, it would be essential to implement measures that shift financial burdens of paying taxes from poorer members to the wealthiest in order to make the tax system fairer while also stabilizing the economic situation.

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A progressive tax policy is considered a strategic and urgent reform that will raise domestic funds which will translate into economic stability and improvement of people’s conditions when spent on public services such as education, transportation, and healthcare.

4. LEBANON’S POST CRISIS

4.1 Exploring deep and necessary policies

To stabilize the economy and set the groundwork for long-term, sustained growth, Lebanon will need significant international financial aid as well as a restructuring of its internal and external debts. To reinvigorate a productive economy, briskly solve the humanitarian calamity, and address hyperinflation, official financing will be required. In addition to what was mentioned in the above sections, ensuring debt is manageable and the macroeconomy is resilient are key prerequisites for development, investment, and a smooth return to international capital markets.

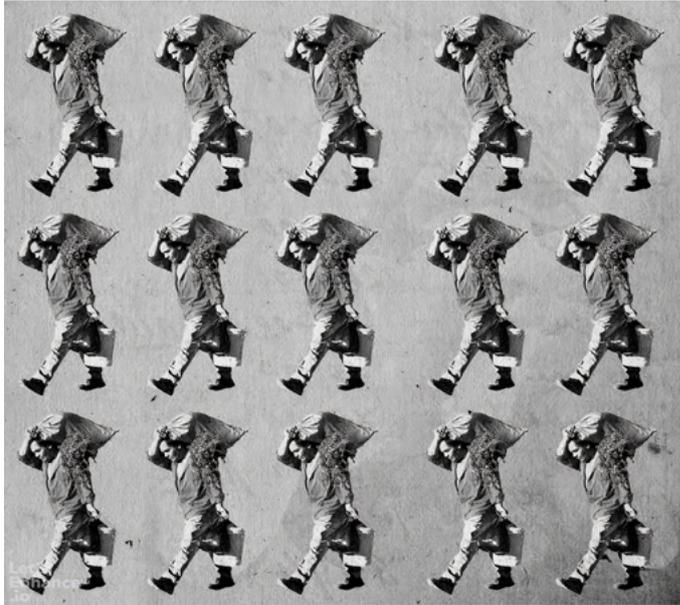
Furthermore, taking the necessary actions and measures to curb the chronic losses of numerous state-owned organizations and monitor and control the work of public entities such as ministries, the Central Bank, the Lebanese customs, and the council for development and reconstruction. Adding to that, reforms should benefit all the populations in Lebanon and not only the well-off and connected in order to solve social upheaval and widespread inequalities. To elaborate, developing durable, alternative social safety nets that meet society’s essential needs for food, shelter, education, and health will be of utmost importance to help people in these challenging times. It should be underlined that the government is in charge of providing for these requirements by organizing a network founded on the values of social justice, solidarity, and non-discrimination. This entails passing social protection laws and employment protection programs and expanding their reach to the unprotected groups.

Urgent and tangible reforms should also tackle investment in infrastructure beyond lighting streets and fixing some roads. In fact, consolidating the state assets under a common structure managed by the government and setting a clear framework will facilitate their proper management, thus decrease corruption and bolster

governance and institutional strength. Therefore, annual dividends can be generated in order to fund essential public services such as education, healthcare and infrastructure.

In addition to what has already been mentioned, incentives should be given to productive businesses, cooperatives, and solidarity enterprises that serve their communities and produce their needs. For example, the government can provide them with subsidized power or raw materials to help them reduce the costs and build and enhance their productive capacities. Such policies ought to promote an investment surge to overcome long-standing infrastructure gaps and enable significant job development.

Moreover, the government must revisit its trade agreements with other countries in a way that benefits all parties equally as some agreements opened new markets to the EU exporters without opening new markets for Lebanese exporters. In similar fashion, serious measures are required to improve the quality standards of local products in order to meet international standards and increase exports¹¹ Thus, the role of the government is not limited to building partnerships and signing agreements but also supporting small producers and providing them with technical skills and financial products to boost the productive sectors and establish networks of cooperation.



11 Read more on: <https://www.meirss.org/assessing-the-lebanon-eu-association-agreement/>

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On regional and local government levels, municipalities are the most suited to serve as local promoters for economic development plans and to coordinate with other municipalities for necessary support and exchange of resources. Local authorities should play a supportive role in fostering innovation through the establishment of local business incubators that can provide training and support for start-ups. Municipalities should help enterprises choose appropriate locations for their operations, offering them spaces at reduced rental costs in order to boost local economy, create job opportunities, and enhance the livelihood of the entire community. Furthermore, municipalities need to provide accountable governance for local communities and ensure services are delivered in a sustainable manner while encouraging a safe and healthy environment and encouraging people to participate in the decisions that affect their lives.

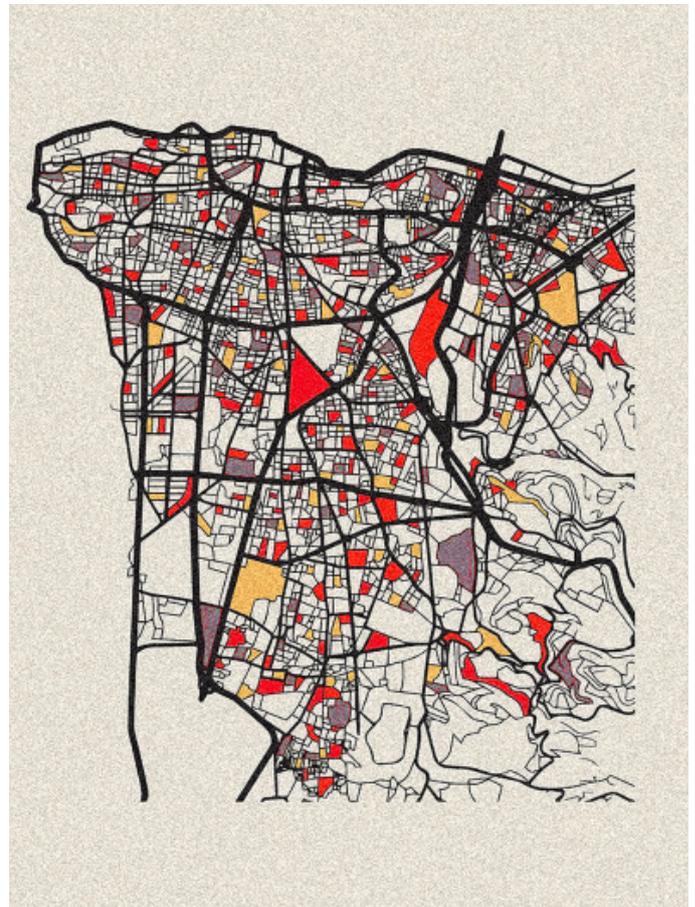
4.2 Understanding the importance and limitations of reforms

Strategic and effective reforms entail tackling the socio-economic problems holistically and systematically as such measures cannot be selective or incomplete. While the implementation of reforms is considered necessary by some to alleviate the suffering of the country's inhabitants in the short term, others believe that reforms alone do not bring radical change and may even hinder this process in the long run.

Nevertheless, it would be of utmost importance to differentiate between strategic reforms that drastically improve the living conditions of the affected populations and the reforms implemented by the state to calm the social unrest and the rage of the people. The latest are reforms that help maintain the status quo and stabilize the current economic system. By contrast, tactical reforms that improve the working conditions of employees strengthen their ability to participate in political activism and take part in revolutionary labor unions. On the other hand, it is argued that such achievements have a double-edged blade that will discourage workers from organizing themselves into non-hierarchical structures and solidarity organizations. Another example will show the importance of progressive taxation which aims to redistribute part of the wealth. While some contend that this reform aims to keep the same

system in place, progressive taxes are essential to ensure a proper distribution of the tax burden and fund social welfare programs.

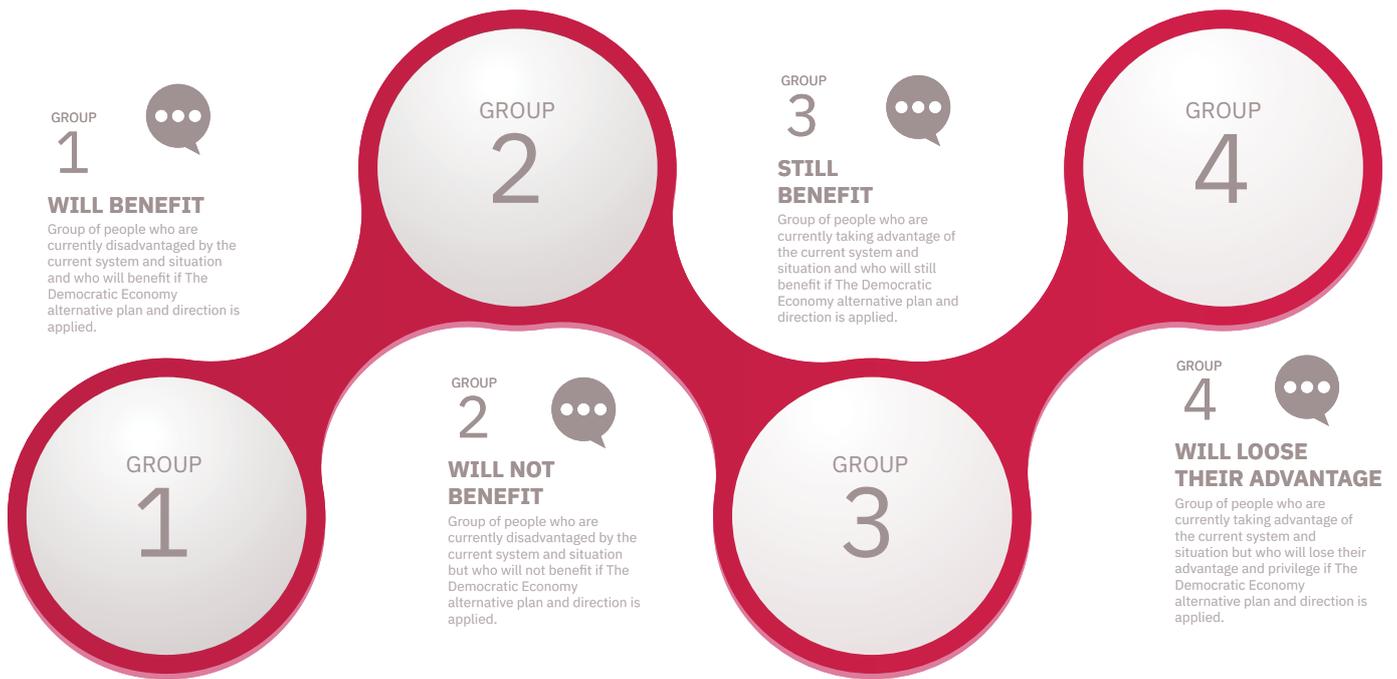
A new government and a new parliament will not change much. In fact, regime continuity has been once again ensured by a mainstream media, sectarian strife, and clientelist social structures. Therefore, direct action is seen as essential to defending our rights and achieving strategic reforms. This process, compared to achieved results through ballot boxes, can accomplish more in less time. Another difference to highlight is that reforms undertaken by some entities or sectors targeting specific groups of people, such as the order of engineers, fall short or, even worse, divide the workers. To sum it up, efficient and structural measures that alter the fabric of this system and the framework in which our economy functions are the foundations of a new just model.





5. ROADMAP TO ACHIEVE SOCIAL JUSTICE AND BUILD A DEMOCRATIC ECONOMY

Throughout the course of the workshops and discussions, residents in Lebanon were divided into four groups, as seen in the quadrant below (Quadrant). The four groups are as follows:





GROUP 1

DISADVANTAGED FROM CURRENT SYSTEM AND SITUATION BUT WILL BENEFIT FROM TDE AND REFORMS (ALLIES)

- Small producers
- Unemployed
- Care service providers
- Rural area citizens
- Productive Sectors
- E-commerce entrepreneurs
- Art sector
- Women
- Refugees
- Migrant workers
- Taxi drivers
- LGBTQ+
- Seasonal workers
- Delivery workers
- Students who have jobs
- Those with special needs
- Those who offer housekeeping
- Elderly
- Public university students
- Small shops and SMEs
- Women in households
- Doctors, Architects & engineers
- Tradesmen/ Tradeswomen

GROUP 2

ADVANTAGED FROM CURRENT SYSTEM AND SITUATION AND WILL NOT BE DISADVANTAGED FROM TDE AND REFORMS (NEUTRAL)

- NGO workers
- Insurance companies
- Remote workers living in Lebanon (for international firms)
- Big supermarkets
- Money exchangers/tellers
- Lawyers
- Cash-aid dependents

GROUP 3

DISADVANTAGED FROM CURRENT AND WILL REMAIN DISADVANTAGED AFTER TDE AND REFORMS (PASSIVE)

- Military personnel
- Small and Medium Depositors
- Owners of small real-estate

GROUP 4

ADVANTAGED FROM CURRENT BUT WILL LOSE THEIR ADVANTAGE AFTER TDE AND REFORMS (OPPONENTS)

- Large real estate owners
- Bank owners
- Big traders
- Monopolies
- Owners of motors
- Quarry Owners
- Religious Institutions
- Large bank depositors

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The Two Complementary Pathways

First, the focus should be on directing aid toward development projects and shifting funds from social to productive sectors in order to contribute to economic growth and ensure sustainability in the long term. The international community and organizations should channel resources into investment in infrastructure, better cities, and productive sectors like agriculture, with a focus on science and technology as game-changing factors in development. Moreover, the focus should also be on equipping health and education premises of the public sector to secure equal access for everyone, including marginalized groups.

In parallel, a comprehensive political strategy based on two complementary parallel pathways will be required. The first path is the path of political confrontation, and the second path is the path of building alternative structures. Both paths need the organizing of people who are disadvantaged by the current socio-economic and political system and who share common interests in order to combine the efforts of building a just society and a democratic economy. Small producers, farmers, laborers, women, and marginalized groups should mobilize and develop new structures based on social and economic interests rather than sectarian divisions. Simultaneously, political groups allied to the causes and interests of these disadvantaged groups need to work in a well-organized political confrontation in order to force radical and strategic reforms, which can be helpful and pave the way for building the alternative.





THE TWO COMPLIMENTARY PATHS

The table below shows two different approaches to organizing those impacted by the current system and policies and those who have an interest in building a democratic economy and a just society. These two pathways must run in parallel, although they have different courses of action.

Confrontation		Alternative	
The Battle	The Action	The Battle	The Action
The IMF	The Tunisian Scenario: mobilizing Syndicates and Labor Unions against the government to force a social justice agenda against the austerity agenda, and to bring the trade unions to any table of negotiations.	The Vision	The Democratic Economy Vision: The Solidarity Directory model for a solidarity-based economic Network ¹² (Chart in Appendix 1)
Fiscal Policies	TDE Recommendation: organizing disadvantaged groups and allied political parties and organizations in a front pushing for TDE Recommendation (Next page)		
Government Reforms	TDE Recommendation: organizing disadvantaged groups and allied political parties and organizations in a front pushing for strategic reforms which restructure rather than repair, and which push forward the agenda of the democratic economy and TDE vision (Examples: Societal Decentralization, Universal Healthcare, Social housing, Universal free quality education, Promoting cooperative economy)	The Course of Action	Advocacy, organization, and research path for building the alternative social and economic structures and sustainable interconnected cooperative supply and value chains as per TDE vision (The Solidarity Directory Model). The potential of building the alternative will be further explored in chapters 2 & 3 of TDE 2022.
Donor Funding	Channeling aid towards agriculture, health, education, transportation, and infrastructure with the aim of increasing the capacity and capabilities of building sustainable interconnected cooperative supply chains.		

¹² Check out the website of the Solidarity Directory: <https://www.daleeltadamon.org/>



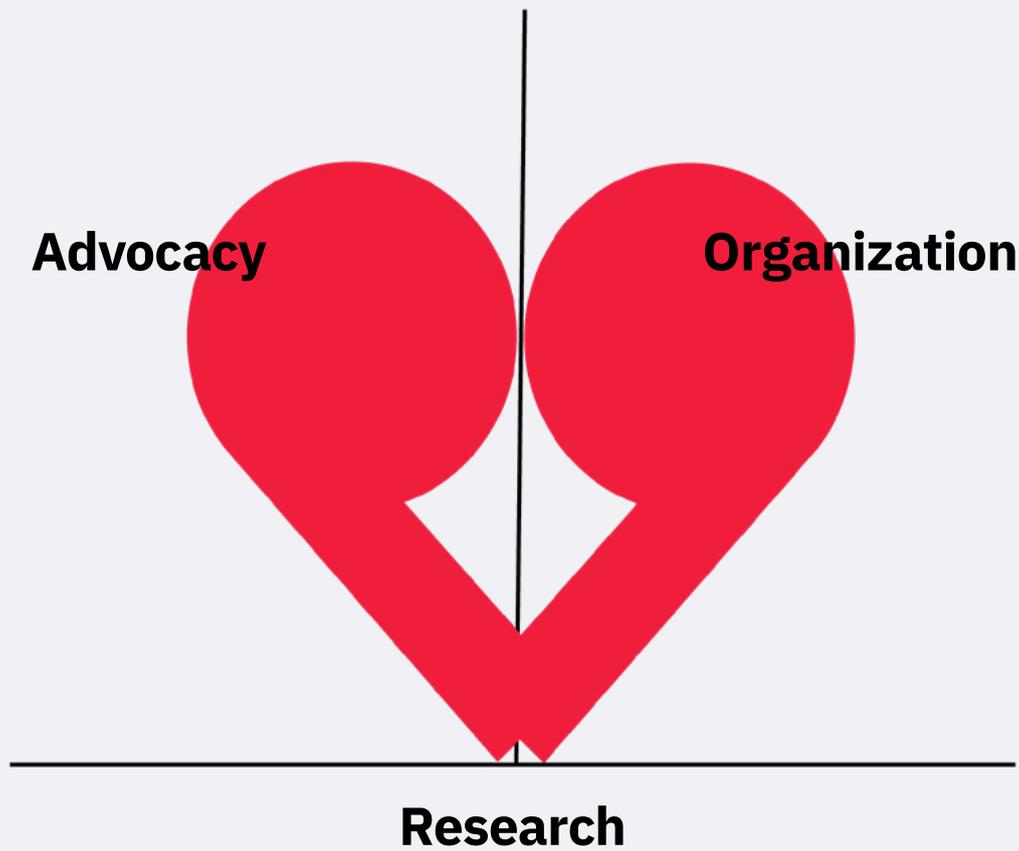
TDE RECOMMENDATION: REVENUES VS EXPENDITURES

REVENUES	EXPENDITURES
Progressive TVA (sectoral, regional)	Public Transportation
Progressive direct taxes on income, properties, land, rental income, capital gain, dividends, targeted tax (environmental, social...)	Healthcare, Education, telecommunications, electricity, water (all must be inclusive)
Taxes on imports to protect local products	Engagement of women, LGBTQ, special needs.
Taxes on religious and private based organizations	Public shared spaces
Corporate tax based on size of sector	Digitalization and technology, R&D
Taxes on vacant properties	Inclusive infrastructure
Taxes on financial service providers	Arts, culture
	Agriculture and productive sector
	Local startups
	Public housing
	Unemployment benefits
	End of service benefits
	Childcare, elderly care, orphanages
	Renewable energy (Climate Change)

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EXPLAINING THE PATH OF BUILDING THE ALTERNATIVE:

To elaborate, building an alternative model will consist of three pathways: (1) Research, (2) Advocacy, and (3) Organization as demonstrated below.



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Research will focus on previous experiences that can support the other two paths. This is going to be an on-going process strongly dependent on conversations and discussions with relevant stakeholders. It will inform the development of certain trends and/or patterns that are aligned with the welfare of the people. This process will also make room for learning where progress can be checked using a series of KPI's as a benchmark and changes will be made accordingly.

Advocacy will focus on involving people and encouraging them to take part in different activities such as interactive theater, discussions, town hall meetings, and campaigns. Direct advocacy and action are a must, including but not limited to, canvassing as a very important tool of advocacy. This includes actions such as distributing flyers, door to door, having one-on-one conversations, etc. It will work on simplifying the terminologies and explaining economic and social concepts in easy words to convey messages about specific policies and causes especially through media visibility using multiple forms from written content to visual one.

Organization entails creating a strong and organized local democracy project that unites community members to fight together for our socio-economic interests and rights, contrary to the current organization that focuses on sects and social classes to segregate the community. This process of organization will focus on common purpose, sectors, socio-economic interests, and solidarity.

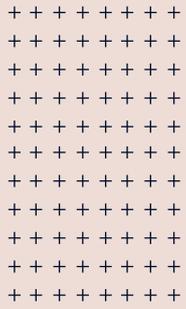
These groups will be decentralized yet mobilized and empowered to work collectively, influence policies, and advocate for their rights following a bottom-up approach.

The process involves assembling all the components required for social change, including a vision, skills, resources, and an action plan. We believe that there is no right way to organize with people but we contend that once a problem is identified, the people impacted and others who care should gather, open a discussion and work together to find a solution that suits everyone.

The second chapter entitled 'Regional Economy' will investigate the role of small producers, municipalities, cooperatives, and local key actors in the economy in several regions in Lebanon. It will also highlight essential resources in these regions and how the Lebanese economy can invest in these regions to structure a democratic economy while showcasing the link between democratic economy and local politics. The work on the ground will be complemented by researching new approaches to economic development that will contribute to planting the seeds of a new community-based economy.

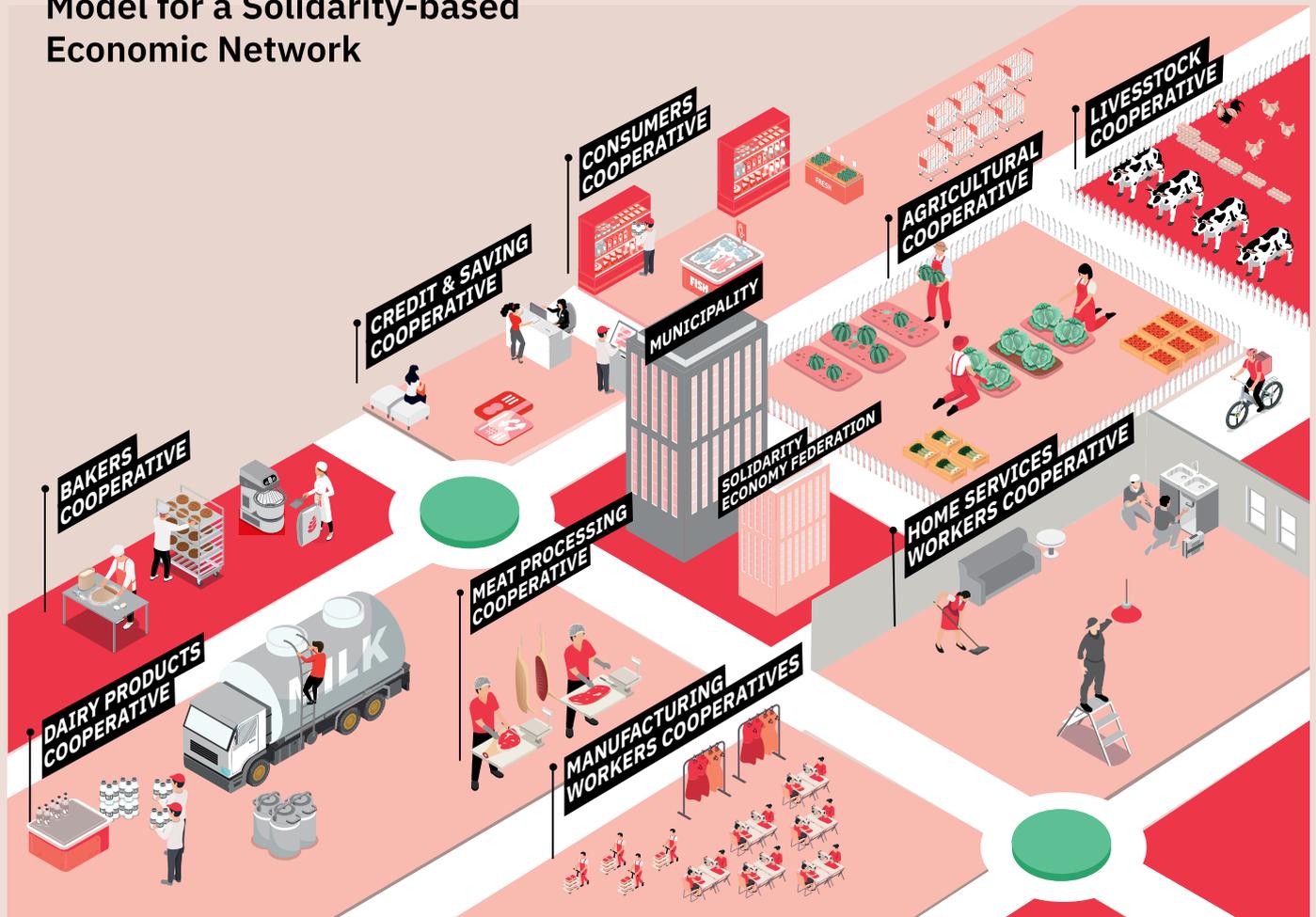
Hence, a compilation and contextualization of successful practices relevant to economic advancement will take place in order to open the discussion and pave the way toward new legal frameworks and an economic model that promote inclusive, just, and fair economic growth.

Finally, we will look into alternatives such as credit unions, community-owned energy, and a public and integrated healthcare system and explore the possibility of building them to foster community ownership.



Appendix

The Solidarity Directory Model for a Solidarity-based Economic Network



THE
DEMOCRATIC
ECONOMY
الاقتصاد الديمقراطي

FRIEDRICH
EBERT 
STIFTUNG

R Y Z O
- M E S

The Solidarity
Directory دليل
تضامن