

Live Lebanon 2002: Where Have All The Shoppers Gone?

In its sixth year running, Lebanon's shopping festival enjoyed the support of The Ministry of Economy and Trade, the Ministry of Tourism and several cultural and trade organizations, promoting the country's commercial and tourism sectors.

The 'Live Lebanon' festival saw the arrival of 42,000 tourists in January and 56,000 tourists in February. These numbers represent an increase of 14% and 40% respectively, over the same months last year.

Despite the significant increase in visitors, Lebanon's commercial markets did not pick up considerably according to merchants. The following data, gathered through an opinion poll conducted by Information International, covers a sample of 350 shoppers and 70 merchants, distributed over 7 main streets. Shoppers were divided equally in gender and Lebanese comprised the highest number of those polled, as illustrated in Graph 1

According to 62.2% of visitors interviewed, this trip to Lebanon was not the first, but on average, their fourth visit in the last five years. On this visit, 56% chose to stay in hotels, 15% stayed with friends, 12.1% with relatives, while 8.4% resided in furnished apartments.

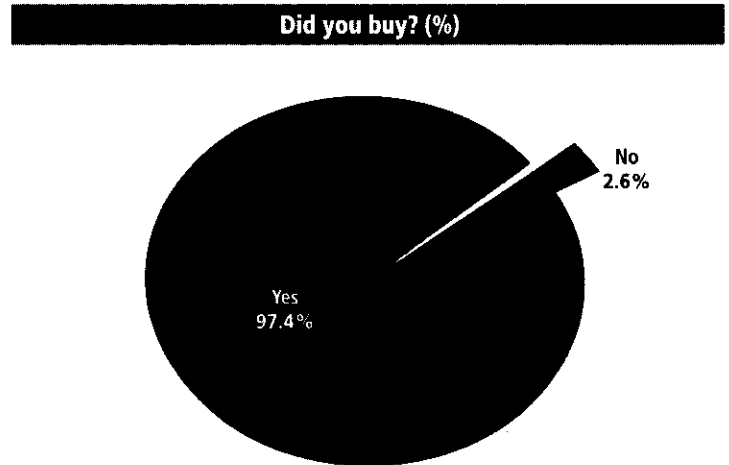
Regarding the motives inducing shoppers to buy at this time, 22.9% replied that they required necessary items, 22% shopped because of the reduction in prices, 17.4% because the shopping festival coincided with the Eid Al Adha holiday, 12.8% required things for the Eid, 7% to fill their time and for entertainment, 6% because they found the goods were of good quality, and 11.9% reported other reasons.

In terms of consumer habits, the majority of those polled said they made purchases, whereas 2.6% said they did not buy as in Graph 2. The consumers also estimated the sum total of their purchases over the month as in Graph 3

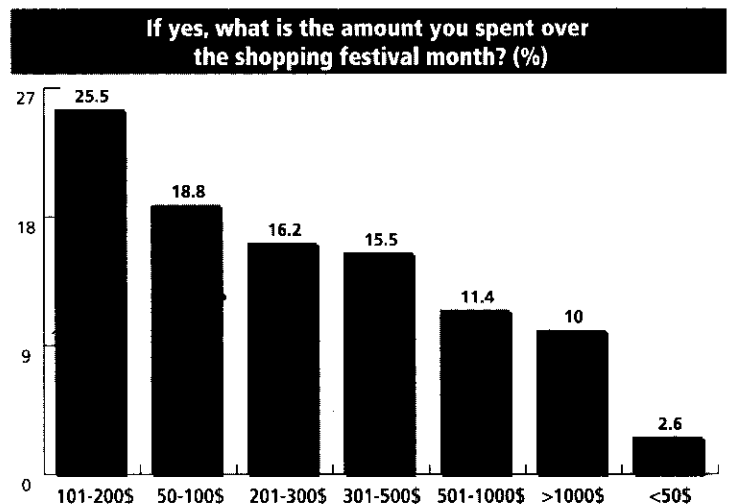
Out of the range of consumers who spent over \$1000, the majority were visitors from the Gulf region, whereas most of those who spent between \$201-\$300 came from Africa, and the \$50-\$100 range was largely dominated by Syrian consumers.

In terms of product categories, fine clothing made up 88.9% of purchases, shoes were next at 65.1% of purchases, followed by beauty products (21.4%), jewellery (13.8%) and household and electrical items (7.3%).

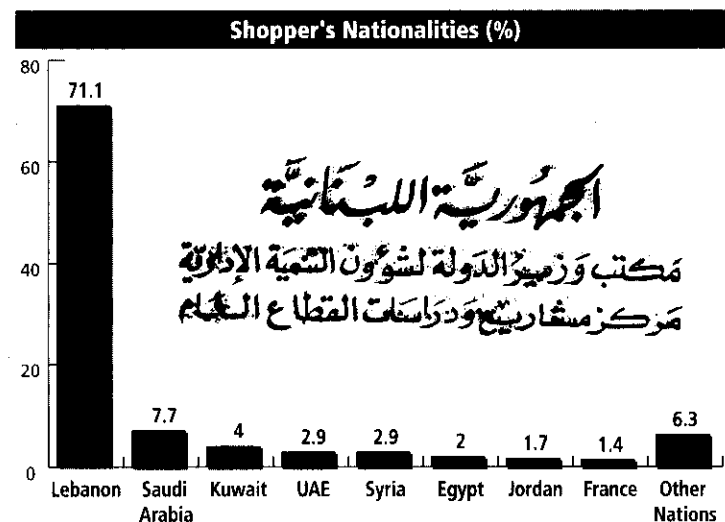
Despite the improvement and development of the shopping festival year after year, 48% of shoppers found this year's reductions equivalent to the year before, while 17.4% thought they were better, 21.7% were unable to compare and 12.9% believed reductions to be less than those of last year. In terms of price levels, 41.4% of consumers felt that prices were higher than the previous year (perhaps due to the introduction of the Value-Added Tax), while 46% said prices were unchanged. According to



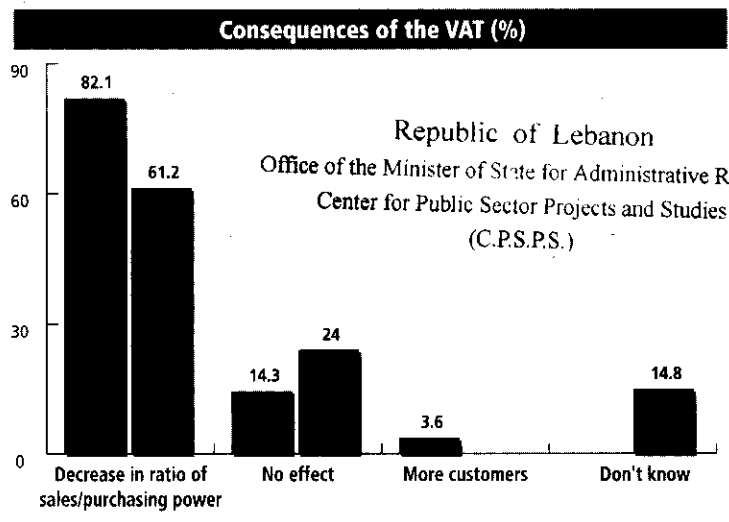
G2 Base: 350



G3 Base: 341



G1 Base: 350



G4 Merchants Shoppers

Schedule of Fees

Over the years, the government has circulated Table #9 as an attachment to the annual budget. This schedule of fees usually carries additional fees, and this year's table contains a number of hefty ones, as shown in Table 6 below.

Program Laws

Since 1993, consecutive governments have included program laws as part of the budget. These laws specify appropriations to be divided over a number of years.

However, their legality has been disputed as they are inconsistent with the budget's Annuity Principle. In other words, an amount is specified for payment over a period of several years but not addressed on an annual basis.

This year, the budget carried amendments to 14 previously established program laws regarding the decrease in estimated appropriations for 2002. The appropriations were set at LL 446.7 billion but decreased to LL 161 billion (a decrease equivalent to 3% of the overall estimated expenses in the 2002 budget).

As for the new program laws included in the budget, they are as follows:

- Program Law for the Investment Development Authority of Lebanon (IDAL), at a rate of LL 50 billion, of which LL 10 billion are allocated for 2002.
- Program law for a port of fishing and promenade facilities at a rate of LL 120 billion (LL 1.5 billion for 2002)
- Program law for the Metn Highway at a rate of LL 40 billion (25 billion for 2002)

As assessed, the 2002 budget does not adequately address the deepening economic crisis, and carries nothing new in terms of solutions. What Lebanon really needs is a budget based on a well designed plan addressing long-term solutions to the chronic deficit issue.

MAIN EXPENDITURES

Table 5

(Values In Billion LL)

Expenditures	LL
Council for Development & Reconstruction	311
	(includes 12 million in administrative costs)
Cost of private hospitalization fees on behalf of the Ministry of Health	210
Construction & maintenance of roads	112.5
Social & welfare services contribution to non-profit organizations from the Ministry of Social Affairs	100
Compensation to the Council of the South for victims of the liberated areas	99
Central Fund for the Displaced	67
	(includes 7.6 billion in administrative costs)
Council of the South	45
	(includes 6 billion in administrative costs)
Contributions to private/free schools	30
Elyssar	22
IDAL	14
Rent for Lebanese Embassy Offices Abroad	12.5
Advertising & Marketing Budget for the Council of Ministers	10
Ministry of Public Health's Contribution to non-profit organizations	9.2
Secret Expenses for Security Forces	6.6
Topography & map work	5
Contribution to the Writers & Press Syndicate	1
Snow Removal Work	750 million

SCHEDULE OF FEES

Table 6

(Values In Thousand LL)

Type of Fees	Current Fee	New Fee
5-year passport	250	300
1st rank work permit	1,500	1,800
4th rank work permit	250	300
Driving license exam fees	75	115
International driving license	75	115

Regulatory Irregularities at the Court of Audit

Several questions have been raised regarding the performance or constraints faced by Lebanon's Court of Audit in recent years. More specifically, article #47 requiring a detailed report of financial and monetary control over government spending and reforms was withheld for the years 1999 and 2000.

This act raised doubts regarding the Court's ability to oversee national spending and financial arrangements.

In addition, the combined report finally released for the previous two years did not incorporate various accounts of government transactions and financial routing.

The Court's control of national funds does not extend to most public institutions and municipalities including the CDR, the Central Fund for the Displaced, the Council of the South and Elyssar.

Decisions of the court

During the years 1999 and 2000, the Court took 2,696 decisions distributed as shown in Table 7

The value of rejected projects reached around LL 116 billion in the two years discussed above. However, law governing the Court transfers unapproved proposals to the Council of Ministers, which has the authority to override the Court of Audit's decision in cases of contradiction between the two.

In 1999, the Council of Ministers did not contradict any of the Court's rejected verdicts, but in 2000, it approved several projects, challenging the opinion of the Court, without notifying it of all its decisions and reasons.

Among the decisions reported were the following:

- Granting equipment to the Civil Defense at a value of LL 12.2 billion.
The Council of Ministers approved this project based on its resolution #12 dated 3/5/2000, although it had been refused by the Court of Audit based on resolution number 418/P.C. dated 8/7/1999.
- Renewal of contracts related to joint social services between the Ministry of Social Affairs and other local organizations for the year 2000, at a value of LL 4.8 billion.

- Contracts of sale of the government's private properties in the Ras Beirut area to the Central Bank at a value of LL 7 million.

Future role

The importance of the Court of Audit's report lies in its timing. It coincides with the release of a draft law modifying the General Accounting directive prepared by the government.

This draft law aims at further limiting the control of the Court, even though its power over various other councils has already been eliminated.

Despite its limited financial and human resources, the Court of Audit can still play an important role in limiting the squandering of finances.

Table 8 below illustrates the value of projects rejected by the Court of Audit. Some of these were later overturned by the Council of Ministers however.

DISTRIBUTION OF COURT'S DECISIONS

Table 7

- 1507 decisions of total consent
- 911 decisions of conditional consent
- 23 decisions of partial consent
- 95 decisions related to the incompetence of the Court of Audit to look into the proposed subjects
- 4 decisions returning transactions to their source
- 156 rejection verdicts

Source: Court of Audit, 2000

VALUE OF REJECTED PROJECTS

Table 8

(Values in Billion LL)

Year	Rejections	Value	Approved*	Value
1996	141	119.2	36	61.8
1997	129	220.8	17	11.2
1998	122	122.6	20	26.3
1999	58	97.5	--	--
2000	79	28.6	6 (pending)	27.5
Total	529	588.6	79	126.8

* Decisions approved by Council of Ministers in contrast to the Court of Audit

Source: Court of Audit, 2000

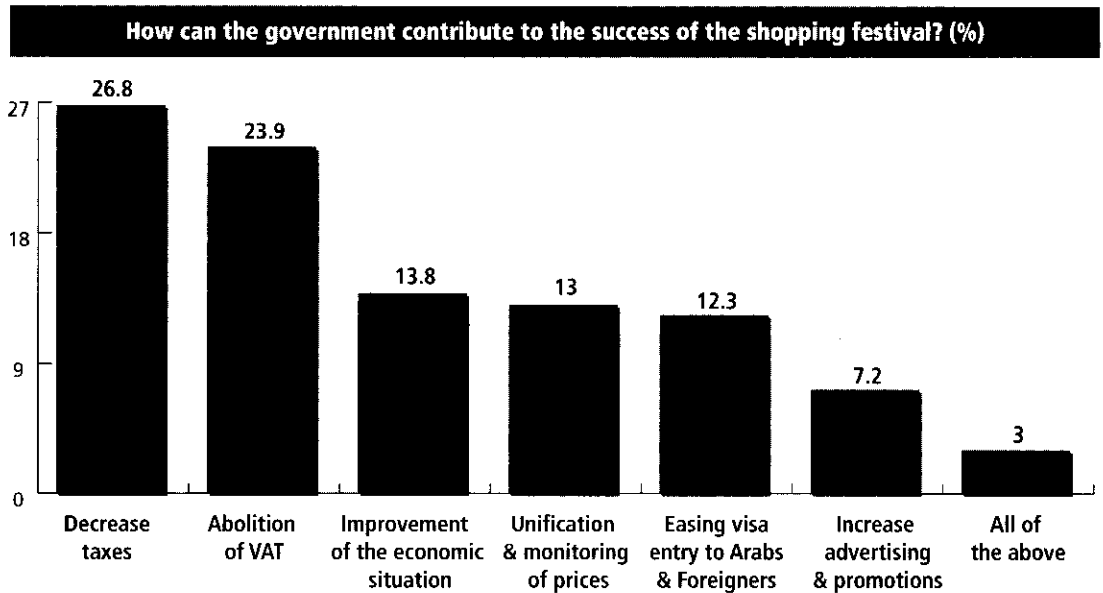
Graph 4, the introduction of the VAT was responsible for reduced sales. When asked their opinions regarding the shopping festival, 54% replied that it is a good idea, 23.7% felt it is an excellent idea, while 15.1% find it ordinary and 7.2% believe it is a bad idea. The majority of those who found the initiative an excellent one were visitors from Gulf states, with 50.7%, followed by those visiting from African nations at 50%.

With reference to the government's patronage of this event, 42.6% of shoppers replied that it was good, 26% said it was acceptable, 12.6% thought it was bad, 5.1% said excellent and 13.7% did not specify. When the question of government support was put to merchants, however, 70% replied that it did not contribute to the success of the shopping month, while 30% said they thought it provided the required support. Graph 5 illustrates merchants suggestions on government assistance.

Pertaining to sales transactions, 41.4% of merchants said the shopping festival was good, another 41.4% said it was normal, 10% noted it was excellent and 7.2% said sales were bad. It was noted that the average response per location ranged between 'normal' and 'good', whereas the Barbir and Mar Elias locations averaged answers of 'excellent'.

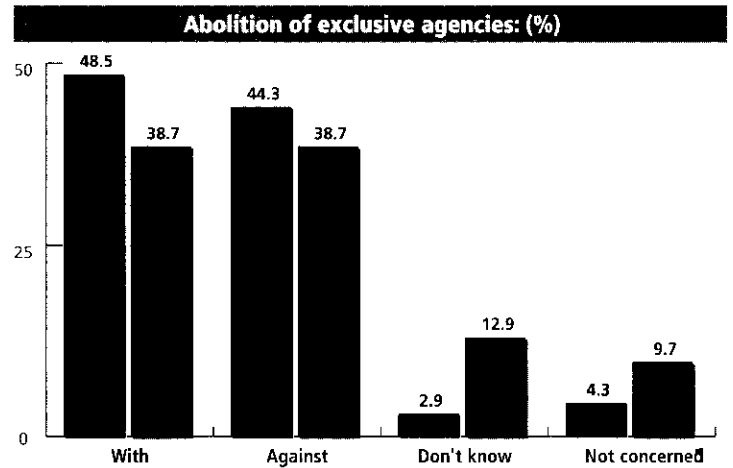
Despite a 27% increase in visitors to Lebanon in the first two months of 2002 over the same time last year, the commercial markets did not pick up significantly, according to merchants. Graph 6 illustrates merchants as well as tourism and service organizations comparisons of sales between the two years.

The debate concerning the abolition of exclusivity rights was also addressed by merchants and tourism & service organizations, with the results in Graph 7. To ascertain demand for the festival, shoppers were asked about their interest in having more than one shopping festival per year, with 57% responding positively, compared to 30% who did not favor



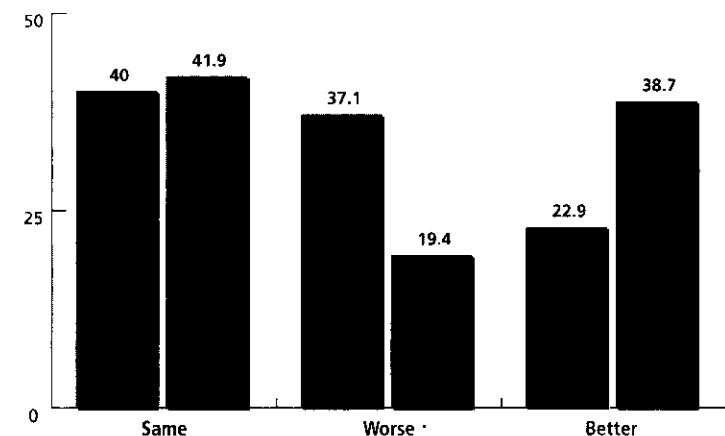
G5

the idea and 12.9% who did not specify. A majority of shoppers were also interested in changing the timing of the shopping festival, with 67.4% favoring the idea and 32.6% opposed. Graph 8 pertains to the timing of the shopping festival and its convenience to consumers.



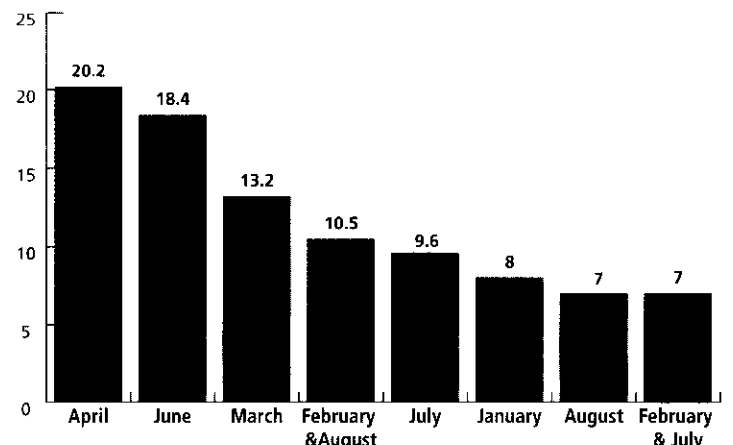
G7

How do you view sales of 2002 compared with those of 2001? (%)



G6 Merchants Tourism & Service Organizations

Which month should the shopping festival take place? (%)



G8 Base: 114