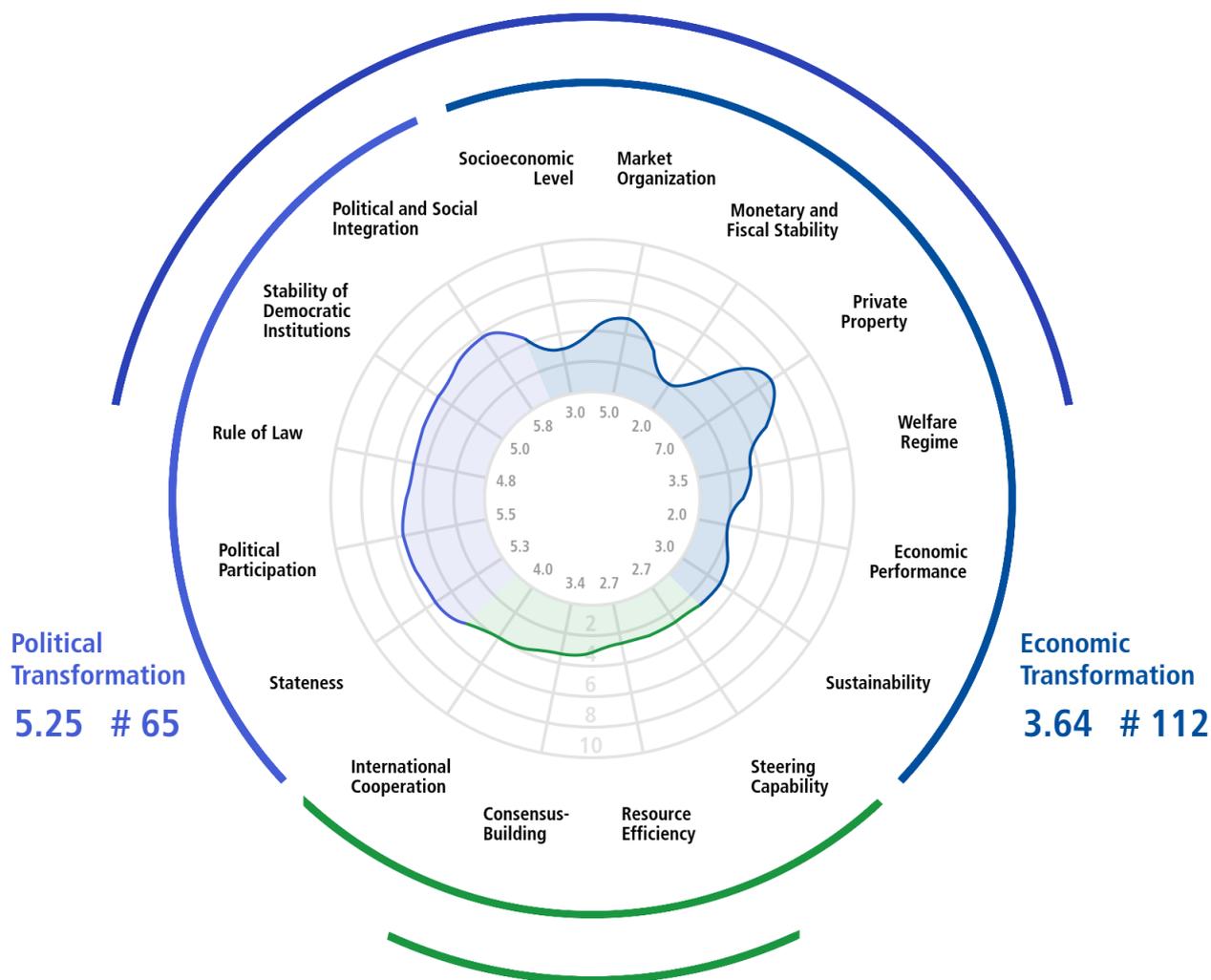


# Lebanon

## Status Index

**4.45 # 93**

on 1-10 scale out of 137



**Political Transformation**  
**5.25 # 65**

**Economic Transformation**  
**3.64 # 112**

## Governance Index

**2.87 # 117**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2024 Country Report – Lebanon. Gütersloh: Bertelsmann Stiftung, 2024.

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**Key Indicators**

Population	M	<b>5.5</b>	HDI	<b>0.706</b>	GDP p.c., PPP \$	-
Pop. growth <sup>1</sup>	% p.a.	<b>-1.9</b>	HDI rank of 189	<b>112</b>	Gini Index	<b>31.8</b>
Life expectancy	years	<b>75.0</b>	UN Education Index	<b>0.604</b>	Poverty <sup>3</sup>	% <b>0.1</b>
Urban population	%	<b>89.3</b>	Gender inequality <sup>2</sup>	<b>0.432</b>	Aid per capita \$	<b>250.0</b>

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

Lebanon's current democratic and economic transformation trajectories have been shaped by the October 17, 2019 uprising and ongoing economic deterioration in the country. The conjunction of both makes it certain that transformation – if indeed one does occur – will not happen easily or painlessly. The persistence of the republic's political elites in stalling and outright refusing to reform their politics and economics to ensure increased social and economic justice for Lebanese people indicates the status quo regime's strength and level of cooperation. The situation reveals the weakness of social trust in Lebanon. Alternative visions and models for the future struggle to acquire and maintain momentum and support sufficient to generate alternate loci for political power.

During the period from 2021 to 2023, Michel Aoun left the presidential palace in Baabda after a tumultuous six years that resulted in a sharp deterioration of conditions in the country. His tenure was permanently marked by increasingly tense relations among the primary political factions, most notably and perhaps most dangerously by politicizing the investigation of the August 4, 2020 Beirut Port explosion. The clashes in Tayyouneh in September 2021 serve as an illustration of how quickly tensions escalated due to the stalled investigation. In early 2023, the presiding judge, Tareq Bitar, announced that he would re-initiate his investigations. Complicating matters further, the republic appears destined to endure another long presidential vacuum as no clear candidate with parliamentary approval has emerged.

Economically, Lebanon has been beset by a crisis the World Bank described in 2021 as among the top 10, possibly even the top three, most severe economic crises globally since the mid-19th century. The COVID-19 pandemic has caused widespread stagnation throughout the world, and Lebanon has not been immune to these effects, as evidenced by worsening conditions, rising living costs and further stagflation. More than 10,000 deaths from COVID-19 were reported to the World Health Organization (WHO), creating a profound impact on the ability of many families to survive the ongoing crisis.

The Lebanese pound has lost 90% of its value. Two years of inaction by the central bank, Banque du Liban (BDL), led to the emergence of a significant illicit market for currency trading. In early 2023, the BDL announced an adjustment to the official exchange rate for the Lebanese pound (LBP). Previously pegged to the U.S. dollar at LBP 1,507 to the dollar since 1997, the BDL revised the rate to LBP 15,000 to the dollar.

Lebanon's immediate and mid-term economic future is tied to the capacity of the current caretaker government of Najib Miqati to convince international creditors to unlock emergency funds for development and recovery. These funds, necessary to plug a \$72 billion-sized hole in the financial system, are contingent, however, on the government implementing structural reforms – a task it will struggle to undertake as long as the presidential vacuum continues.

## History and Characteristics of Transformation

Lebanon is a consociational democracy, with its social and political life divided into 18 officially recognized religious or sectarian communities. The formalization of political sectarianism has its roots in the late 19th century through the Mutasarrifiyah of Mount Lebanon. This period witnessed the establishment of a governing council that was divided among the six main sectarian communities of that time. This governance model continued during the French Mandate and achieved a significant milestone with the adoption of the National Pact in 1943. The pact defined the current division of key positions, including a Maronite president, Sunni prime minister and Shi'ite parliamentary speaker.

During the civil war, the strong centralized state model advanced by President Fouad Chihab (1958 – 1964) was destroyed, leading to a loss of autonomy and monopolization of forceful coercion. This situation still persists today, as the state has not fully recovered. State development during the war was characterized by the emergence of authoritarian leaders from different sectarian communities. This resulted in a form of consociational decentralization, where state and public resources were plundered and redirected to individual wartime factions. The conclusion of the war was facilitated by regional and international actors, but the postwar state's resources remained in the hands of former warlords who had transitioned into statesmen. These individuals forged their political careers during the war. The Taif Agreement, which was negotiated in the Saudi Arabian town of Taif, solidified sectarianism as the prevailing model of political engagement in the Second Republic. However, the agreement also presented a road map for moving away from sectarianism. This road map has not yet been implemented.

In continuity with civil war dynamics, postwar politics revolves around the gravitational pull of both leader and sect. This means that issue and policy platforms remain secondary in the country's political culture, with profound impacts on the quality of democracy. Political alliances, for example, coalesce primarily around the tactical and strategic agendas of parties rather than policy congruence. This makes alliance-building conjunctural and unstable. When the political leadership is able to garner consensus to act, it is usually due to either (1) collective survival, as illustrated

by the regime response to the 2019 uprisings, or (2) acknowledgment of a changed reality. The consensus that emerged after the assassination of Rafiq al-Hariri and the Cedar Revolution in 2005 met this latter condition. Lebanese politics cannot be formally dominated by a single actor or party. So the otherwise heterogeneous political class has over time become unified in the defense of its privileges and ability to distribute state resources.

Economically speaking, the civil war's influence also lingers in rentierism. As domestic productive capacity atrophied, militias of all persuasions sought funding from abroad, especially from remittances sent by the diaspora. In some cases, notably that of Rafiq al-Hariri, individuals with immense wealth and network capacity could funnel capital from the Gulf and elsewhere into Lebanon. The political-economic rationale that emerged after the war was to expand this dynamic of acquiring foreign capital. Riad Salamé's high interest on deposits made from abroad, which spectacularly collapsed in 2019, emerged in this context.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The Lebanese state does not have control over the entire territory of the republic. Long-standing political actors, Hezbollah and Palestinian factions in the 12 refugee camps chief among them, alongside small militias and family-oriented organizations involved in the drug trade and cross-border smuggling with Syria, prevent the state from having a monopoly on the use of force. At present, fuel smugglers and their networks, which span the porous border with Syria, pose a significant challenge to border policing and energy prices. Along this frontier, Hezbollah and its associates have declared a number of security zones that are inaccessible to Lebanese state security forces. These installations have facilitated growth in cross-border Captagon smuggling. Hezbollah has leveraged its stable control of localities in Lebanon – where Captagon is manufactured – along with its relationship with the Fourth Division of the Syrian Arab Army and other smaller armed groups on the Syrian side of the border.

Enshrined by the Cairo Agreement 1969, various Palestinian factions organize security within the camps autonomously from the Lebanese security forces. Although historically problematic, this application of force by Palestinian groups has not been contested since the PLO's withdrawal from Lebanon in 1982.

Since its establishment, Hezbollah has evolved from a non-state actor pursuing territorial liberation to more of a hybrid political entity intimately implicated in the day-to-day governance of Lebanon. Since 2008, it has partnered with successive governments. It has maintained a vast security apparatus encompassing, among other things, telecommunications, a standing militia and missile caches. Territorially, Hezbollah controls access to various parts of the republic, including the southern suburbs of Beirut and the governorates of Baalbek-Hermel, Nabatiah and al-Janoub. This power is not unchallenged, however. Other collectives at the village and regional levels, alongside political parties, are engaged in arms stockpiling and basic training

Question  
Score

Monopoly on the  
use of force

5

'06 \_\_\_\_\_ '24 10



1

The state's security forces consist of three main institutions comprising both military and civilian establishments: the Lebanese Armed Forces (LAF), the Internal Security Forces Directorate (ISF), which includes the police, and the General Security (GS), which oversees domestic intelligence.

Support for a unitary Lebanon has proven resilient, surviving civil-war era attempts at division into statelets, and was on full display during the October 17, 2019 uprisings. Demonstrators across the republic painted their faces and waved the national flag to the exclusion of all other partisan banners and symbols that had been ubiquitous at previous demonstrations and marches, including those of the Cedar Revolution in 2005.

This does not mean, however, that differences of opinion over the nature of citizenship and the trajectory of the state do not exist. Sectarianism continues to promote polarizing attitudes, including sectarian loyalty over the national interest. During the country's ongoing economic meltdown, these attitudes have become hardened as a means of survival.

Since before independence in 1943, naturalization has been a contentious subject in Lebanon. There remain four pre-eminent groups of people who are excluded from Lebanese citizenship in part or in entirety, despite residence in the country: Palestinian refugees who arrived in or after 1948 and their descendants; individuals (and their descendants) who could not or were prevented from registering in the 1932 census; Lebanese women, whose exclusion is predicated on the patrilineal nature of Lebanese citizenship; Syrian refugees; and foreign workers brought to Lebanon via the kafala system. With the improbable exception of Lebanese women, whose citizenship status is incomplete, these groups have next to no chance of acquiring citizenship rights.

Lebanon's first constitution established the parameters for a secular republic. Subsequent agreements, such as the 1943 National Pact (Mithaq al-Watani) between Bechara al-Khoury and Riad al-Solh (later the first president and prime minister, respectively, of independent Lebanon), introduced formally, albeit unofficially, sectarian practice in national politics. This practice frames the way political life is ordered, for example, in the existence of parties with openly religious identification as either Christian or Muslim. The established pattern of having a Maronite president, a Sunni prime minister and a Shi'ite parliamentary speaker, who together form "the three presidencies" of the republic, has less to do with dogma than it does with the politicization of religious identification.

One consequence is reduced trust in institutions during moments of heightened sectarian activity. For example, Finance Minister Ali Hassan Khalil refused to approve funds to allow an investigation into the August 4, 2020 Beirut port explosion to proceed, based on the sectarian composition of Lebanon's Court of Cassation's General Board. Consisting of 10 chambers, the board is divided between five

#### State identity

7



1

#### No interference of religious dogmas

6



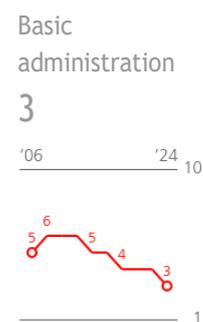
1

Christian and five Muslim judges. However, the current board president, Souheil Abboud, is a Christian, creating for Khalil an imbalance of six Christian to five Muslim judges. It is not the role of the minister of finance, or any minister, to hijack ministerial procedures under the guise of protecting the sectarian balance in the country.

In other areas, religious dogmas likewise have a direct influence on policy, especially in relation to personal status. Under persistent pressure from religious figures, public opinion and organizations, Lebanon continues to stall on the development of a secular and civil personal status code. Subsequently, significant events and daily realities for many Lebanese, including child custody, inheritance, marriage and divorce, are regulated by religious understandings of these matters. In a country with 18 recognized sectarian communities, this has resulted in 15 distinct personal status codes. As a direct result, forms of discrimination or at least unequal treatment occur due to the confluence of religion and gender.

Lebanon's public sector provides basic infrastructure, including taxation, justice, law enforcement and utilities, such as water and electricity. However, there are substantial regional variations in their provision. The public sector has not recovered from the ill-effects of the civil war. Small- and large-scale tax evasion remain widespread. Investments to rehabilitate the country's rail infrastructure have not materialized. Over-reliance on the private sector to provide options in tertiary education and health has produced some positive results, with both of these sectors ranked among the best in the region. However, this has come at the cost of broad social access, with private providers beyond the financial reach of many citizens. Before the current crisis, less than half the population had access to regular health care, a situation that has since worsened.

According to World Bank 2022 indicators, derived from 2020 data collection, 92.6% of the population has basic access to water, demonstrating no change from 2019. In contrast, less than half the population has safely managed access to water, 47.7%. Even greater divergences are found in access to sanitation, with basic access recorded at 99.2%, but safely managed access available to an abysmally low 16.3% of Lebanese. Finally, although electricity access extends to 100% of the population, this does not mean power is available 24 hours a day. Lebanon's electricity woes were well documented even before the onset of the current economic crisis. Since the end of the civil war in 1989/90, policymakers have not been able to supply the Lebanese people with electricity all the time, and supply has always been intermittent outside of Beirut.



## 2 | Political Participation

Lebanon has passed through five electoral cycles recently: in 2000, 2005, 2009, 2018 and 2022. Parliamentary elections are supposed to be held every four years, but political elites have often used the instability of postwar Lebanon to delay them. Universal suffrage has been in place since 1953, and the secret ballot is a consistent feature in elections. Lebanon's consociational political system has facilitated the emergence of dozens of parties from across the political and sectarian spectrum. The 2022 elections were the second in which members of the diaspora could vote from abroad, with an increase of more than 50% in comparison with 2018. Growing participation among Lebanese expats could be a game-changer in the future.

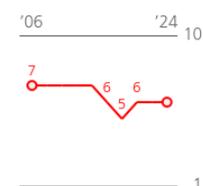
The make-up of ministerial cabinets is informed by the comparative sizes (number of seats and consequent bargaining power) of parties represented in parliament. The prime minister must consult parliament when proposing a cabinet. This does not mean that the final make-up will reflect the composition of parliament. Positions are awarded in accordance with political expediency rather than electoral results. The Chamber of Deputies functions as a consultant body rather than having the strong legislative powers the constitution grants it.

Elections are organized by the Ministry of Interior and Municipalities (MOIM) and overseen by the Supervisory Commission for Elections (SCE), established by the 2017 electoral law. The MOIM nominates the 11 members of the SCE who are approved by cabinet (Law No. 44 Article 10, Para. [1]). The SCE's role is to monitor media compliance and campaign spending, using a budget determined by the MOIM. As a result, the SCE's independence and its capacity to punish wrongdoing are restricted. According to Article 7 of Law No. 44 (2017), any Lebanese citizen can run as a candidate, provided they fulfill the following conditions: (1) at least 25 years old, (2) a registered voter and (3) they have not for any reason been prevented from exercising their citizen-based civil and political rights. In the most recent elections, 718 candidates ran on 103 lists country-wide. Of these, only 118 were women.

The 2022 elections were based on the 2017 electoral law, using a system of proportional representation via open lists across the 15 electoral districts and 27 sub-districts. Voters were able to cast two votes, one for a specific list and another for a preferred candidate from that same list. The 128 seats in the parliament were distributed in accordance with Annex 1 of Law No. 44. After the voting booths close on polling day, the votes are counted at three levels. The first count is undertaken by the head election officers at various polling stations, who announce the initial results. These are then passed to the Primary Registration Committee for verification before being certified by the Higher Registration Committee. Finally, the Minister of Interior formally announces the results.

Free and fair elections

6



Accessibility to polling booths is mandatory by Article 96 of Law No. 44, which states that voters' accessibility "may be assisted by another voter of their choice, under the supervision of the polling station officers." This requires that the Ministry of Interior take into account "the needs of people with disabilities when organizing elections," including holding consultations with "associations of people with disabilities." Despite this legal framework, many polling booths are not accessible to people living with disabilities. Furthermore, the European Union Election Observation Mission to Lebanon noted that the polling staff's lack of training was apparent on election day.

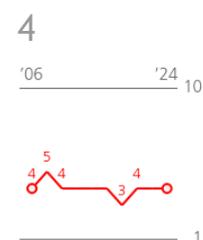
Effective power to govern in Lebanon is repeatedly hamstrung by historical precedence stemming from the preference stated in the constitution for consensual decision-making in parliament and the cabinet. The bells of consensus toll louder in moments of prolonged crisis. One example concerns parliament's prerogative to elect the president. By the close of 2022, the parliament had met 10 times to elect a new president, following the end of Michel Aoun's term in October 2022. This process was supposed to conclude prior to the end of the presidential term in order for a successor to be announced and prevent power and procedural vacuums. Yet, since the end of Emile Lahoud's presidency in 2007, political leaders have used presidential elections to horse-trade with each other. Lahoud's exit was accompanied by a six-month vacuum. His successor Michel Suleiman left office without a successor in May 2014, and it took 29 months for Michel Aoun to be elected in October 2016.

In each such case, the president's powers are transferred to the sitting government (Article 62), and parliament is unable to exercise its normal legislative functions until a president is elected by a qualified majority of two-thirds of its members in the first round. Consequently, the government's agenda cannot be implemented. Parties with the largest blocs in parliament can therefore hamstring the government under the guise of consensus-building.

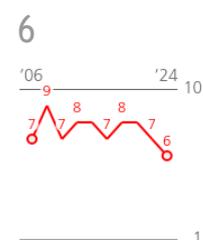
Local actors, most notably Hezbollah, operate to varying degrees as "states within a state," providing services, social support, education and employment in ways that directly challenges the centralized state. This is backed by coercive means that protect the interests of subnational actors. The ongoing stalemate regarding forming a government and electing a president speak to the power of veto actors.

Article 13 of the constitution guarantees Lebanese citizens freedom of assembly and association. Lebanon's civil society is considered the most animated, diverse and active in the Arabic-speaking region. This extends to LGBTQ+ advocates such as Helem, the first LGBTQ+ rights advocacy NGO in the Arab world, despite the penal code criminalizing non-heterosexual intercourse as a crime "against nature." Yet, given the strong role of religious organizations in personal status laws, members of the LGBTQ+ community are frequently harassed. This extends to the prominent band, Mashrou' Leila, which disbanded in 2022.

Effective power to govern



Association / assembly rights



Intimidation and detention have become increasingly common since 2019 as tools deployed by the regime and its proxies. There are numerous documented cases of thugs associated with the Amal Movement or Hezbollah, for example, acting aggressively against people participating in civil marches protesting the sectarian regime. Furthermore, the slow-moving investigation into the 2020 Beirut Port Explosion has become a point of confrontation. On January 26, 2023, demonstrators and family members of victims clashed with opponents and police in front of the Palace of Justice in Beirut.

Lebanon's constitution guarantees all citizens freedom of expression. However, there are legal limits to expression, with the criminalization of insults to the president and religion enforced, albeit arbitrarily. The republic has one of the most pluralistic media landscapes in the Arab world, allowing for a multiplicity of opinions. However, this diversity is embedded in sectarian divisions in the country, as television stations and print media outlets are openly linked to political parties and their sectarian goals. These include al-Manar (TV) and al-Akhbar (newspaper) with Hezbollah, Future TV and al-Mustaqbal (newspaper) with the Sunni Future Movement and OTV with the Maronite-led Free Patriotic Movement.

Lebanon has a poor track record when it comes to murders of journalists and dissenting voices. Since 1992, 11 journalists have been murdered, including Gebran Tueni and Samir Kassir. In February 2021, Lokman Slim, founder of Dar al-Jadeed Publishing House and a critic of Hezbollah's role in Lebanese society, was found assassinated in a rental car in southern Lebanon. Harassment of media outlets and journalists appears to have increased in recent years. On January 22, 2023, a live broadcast was disrupted by a grenade attack in the parking lot of the Lebanese Broadcasting Corporation International (LBCI) studios in Adma. It followed a December 26, 2022 incident in which a Molotov cocktail was thrown at the grounds of al-Jadeed in the Beirut district of Moussaitbeh. The Skeyes Center for Media and Cultural Freedom at the Samir Kassir Foundation reported in late 2022 that Lebanon fell 32 ranks in its "world press freedom rating."

Since 2017, Lebanon has had a functioning access-to-information framework facilitated by the Access to Information Law (Law No. 28 of 2017). The law has two main components: (1) it requires publication of the financial and administrative data and activities of ministries and administrations; (2) it openly allows citizens to request information. Once a claim for information is made, the institution in question has a maximum of 15 days to respond, with the option of extending this timeframe for another 15 days. There is a lack of awareness about the law, however, and the government does not allocate sufficient resources to facilitate its use. The law does not apply to the private sector, which the state regularly contracts to perform state functions such as waste collection.

Freedom of expression

6

'06 '24 10



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The ongoing (and stalled) investigation into the Beirut Port explosion on August 4, 2020 has proven to be a test of defamation laws. The chief investigator, Judge Tareq Bitar, has faced a number of lawsuits from individuals whom he has called upon to give evidence. These include Member of Parliament Nouhad Machnouk and former Minister Youssef Finianos. Both the Amal Movement and Hezbollah have publicly called for Bitar to be removed, citing irregularities but failing to provide evidence.

### 3 | Rule of Law

Checks and balances in Lebanese politics primarily emerge from the inability of one sectarian community to marginalize the others. The Taif Accord, which ended the Civil War, established a practical working separation of powers in the executive, with a number of presidential powers redistributed to the prime minister. It furthermore continued, and in some ways formalized, the unwritten stipulations of the 1943 National Pact.

Regarding governing procedures, the president can only appoint the prime minister in consultation with parliament, the continuing sectarian composition of which ensures implicitly that the subsequent cabinet will contain representatives from the largest parliamentary blocs. This is noteworthy because it is the cabinet's role to appoint public sector actors. The ongoing dispute over electing a new president and approving a new cabinet under (caretaker) Prime Minister Najib Miqati illustrates the paralysis that can occur under the current system. Individual parties and their parliamentary blocs are able to immobilize the government in order to horse-trade over positions in cabinet and policy priorities.

Since the Beirut Blast in August 2020, it has also become evident that the judicial system is influenced by, and embedded within, the sectarian Lebanese political structure.

Historically, Lebanon's judiciary has performed with distinction. Training and recruitment are rigorously taught in university colleges and institutes that are very competitive. Consequently, there is no doubt concerning the firm foundations of the legal system and its application. Problems do emerge, however, regarding promotions. Political influence and expediency become swaying factors.

The judiciary has become increasingly politicized since the October 17, 2019 uprisings, with attacks on the judicial process and individual judges circulating on social and conventional media platforms. This is illustrated in the ongoing (as of the end of 2022) investigation into Lebanon's Traffic Authority. Dozens of low-level employees were arrested on charges of corruption. All the cases appeared to proceed normally, until Judge Nazik Khatib, in the process of his inquiries, turned his attention to Huda Salloum, the president of the Traffic Authority. Attacks on Khatib's credibility began circulating in the media, and Salloum's legal team filed two cases

Separation of powers

5

'06 '24 10



1

Independent judiciary

5

'06 '24 10



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against Khatib in order to prevent the investigation from proceeding. On November 24, 2022, Beirut's Court of Appeal dismissed the attempt to disqualify Khatib. However, the allegation of malpractice remains, pending a hearing before the Full Bench of the Court of Cassation.

Legal actions against judges have occurred in a number of high-profile cases involving investigations into the Beirut Port Blast, the Tayounch attack, bank corruption and illegal practices, and the Salamé Brothers. While the executive has always managed to maintain its monopoly on judicial appointments, in the past two to three years, a new model of interference has emerged. Senior government and public service officials make official complaints against presiding judges, thereby stalling investigations into their activities. Meanwhile, pressure from social and mainstream media channels is applied, as these officials seek leverage from their sectarian supporters to defame the judges in question.

Holders of judicial appointments have abused their power by providing favors to certain politicians under the guise of anti-corruption and transparency.

Judge Ghada Aoun's very public attempts to arrest the governor of the BDL in an effort to strengthen the positions of former President Michel Aoun and Member of Parliament Gebran Bassil are illustrative of this.

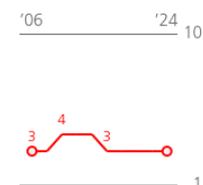
Corruption is endemic in Lebanon. Officeholders are rarely prosecuted or penalized for abuse of office. Politicians and high-level operatives in the public sector have deployed creative ways to avoid investigation. The stalled investigation into the Beirut Port explosion is the most renowned example of this phenomenon. The first judge assigned to the case, Fadi Sawan, was removed by the Court of Cassation in February 2021, after he charged in December 2020 two former ministers, Members of Parliament Ali Khalil and Ghazi Zeiter, with negligence. The court then passed the file on to judge Tareq Bitar, who has faced a similar campaign against his investigation. Not only have Zeitar and Khalil filed motions to have Bitar dismissed, but they have also filed complaints against Judge Jean-Marc Oueiss, who was appointed to rule on their motions against Bitar.

There is an ongoing investigation into claims of corrupt behavior by Riad Salamé, the governor of the BDL, and his brother Raja. Aside from his role as the architect of the postwar financial system, Riad Salamé is accused of embezzling more than \$330 million of public money from the BDL through a Virgin Islands-listed company.

Lebanon's legal framework guarantees protections for civil rights. However, there remain gaps between theory and practice. The World Justice Project (WJP) Index, which includes 140 countries, ranks Lebanon 119th (with an overall score of 0.41) in the area of civil justice. In all seven subcategories of civil justice (1 – people can access and afford civil justice, 2 – civil justice is free of discrimination, 3 – civil justice is free of corruption, 4 – civil justice is free of improper government influence, 5 – civil justice is not subject to unreasonable delay, 6 – civil justice is effectively enforced, and 7 – alternative dispute resolution mechanisms are accessible, impartial,

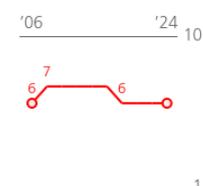
Prosecution of  
office abuse

3



Civil rights

6



and effective), Lebanon scores below both the regional and global averages. Equality before, and access to, the law are particularly low. Regarding the first three subcategories in the report, Lebanon scored 0.54, 0.40 and 0.36.

Lebanon has ratified the International Covenant on Civil and Political Rights (ICCPR), but not Article 6, which guarantees an inherent right to life. It has also endorsed the International Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (2000) and the convention's subsequent protocol in 2008. Lebanese women cannot pass their citizenship onto their children as the Nationality Law remains patrilineal. In 2021, the Special Representative of the U.N. Secretary-General on Violence Against Children released a report, which found that the numbers of Lebanese women and girls seeking assistance for domestic and gender-based violence has grown considerably. Specifically, such calls constituted 21% of total calls for emergency assistance in 2018, 26% in 2019 and 35% in 2020.

Although Lebanon is renowned, comparatively speaking, for its social openness to sexual orientation, Article 534 of the penal code still punishes "sexual intercourse contrary to the order of nature." Members of the LGBTQ+ community can face up to a year in prison. Members of the community routinely face harassment, and transgender citizens have difficulties accessing essential services, from employment to housing to health care.

Access to civil rights remains limited for non-citizens. Palestinian and Syrian refugees, who compose the majority of the non-citizen population, do not possess a well-defined or applied legal framework. This means they are frequently exposed to discrimination and arbitrary treatment. Neither Palestinians nor Syrians have citizenship- or residence-based rights to work, as a general rule. Some are able to access employment privileges, but these are subject to chance and the whims of the Lebanese state. In July 2022, caretaker Minister of the Displaced Issam Charafeddine announced a plan to force up to 15,000 Syrian refugees per month to return to Syria, with agreement from Syrian authorities.

Up to 25,000 migrant workers, primarily from Africa and Southeast Asia, are employed in Lebanon under the kafala sponsorship system. The kafala system excludes workers from labor protections and rights, leaving them open to various forms of exploitation and physical, verbal, sexual and psychological abuse. Employers have considerable power as migrants' residency, employment and legal statuses are tied to them. Up to 27,000 stateless individuals reside in Lebanon. According to Siren Associates, an NGO specializing in governance reform, the majority of these people have at least one Lebanese parent but fall through the bureaucratic cracks. Many lack birth certificates or other basic identification documents to prove their status.

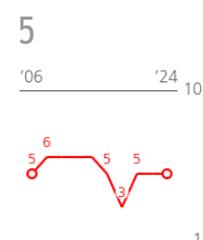
#### 4 | Stability of Democratic Institutions

Democratic institutions, including municipal councils, the national parliament and the public administration, exist and function in Lebanon. However, their work is embedded in a sectarian system, and they cannot operate free of counter-productive friction. At the top of this system is a cache of leaders, who, while divided according to confessional affiliation, are largely united by shared interests and class. Their position at the top of the domestic decision-making pyramid owes nothing to democratic processes, instead imposing a degree of authoritarian governance on what the constitution defines as a “democratic parliamentary republic.” Democratic processes (elections) and institutions are tools through which members of the political class negotiate and mediate conflicts among themselves, facilitated by consensual rather than majoritarian decision-making. Participation by citizens in democratic practices therefore delimits, instead of enhancing democratization.

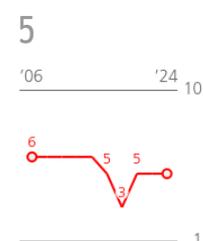
Interference from non-democratic sectarian elites and precedents occurs at different levels of the public administration. For example, in the security sector, the commander of the armed forces (LAF) is by convention a Maronite; the head of the Lebanese State Security (LSS) is a Melkite; the Internal Security Forces (ISF) is headed by a Sunni, while the leader of the General Security (GS) is conventionally a Shi’ite. A further illustration exists at the interface between ministries and the judiciary. The Court of Cassation, which must deliberate on a number of lawsuits aimed at blocking the continuation of the investigation into the 2020 Beirut Port explosion, cannot do so without quorum. This quorum cannot be reached, however, as long as the Ministry of Finance continues to refuse to authorize the funds required to hire new members to the bench.

Democratic institutions are viewed by all relevant actors as legitimate vehicles for political action, predicated on their being able to shape these institutions in ways that limit democratic empowerment. This can be seen, for example, in the refusal of the independent Change members of parliament in the current parliament to engage in coalition-building with the established political parties. The prevailing status quo is seen as a necessary precondition for stability and consensus-building, which, in turn, the major stakeholders understand as required to prevent domination by one group over the others. These suppositions and their practice, however, restrict key democratic elements such as transparency and accountability. In the long term, there are concerns regarding Hezbollah’s stance toward democratic legitimacy, with Secretary-General Hassan Nasrallah on record stating numerous times that, as an Islamic movement, the overall aim of the party is to establish an Islamic state in Lebanon.

Performance of democratic institutions



Commitment to democratic institutions



## 5 | Political and Social Integration

Political parties have a long, diverse history in Lebanon and are well and truly integrated into the confessional organization of politics. Wasta and class perform important lubricating roles in the social organization of political parties. The prime Christian parties are the Free Patriotic Movement and the Lebanese Forces; the main Muslim parties are the Future Movement (Sunni), Hezbollah (Shi'i) and the Amal Movement (Shi'i); the main Druze party is the Progressive Socialist Party.

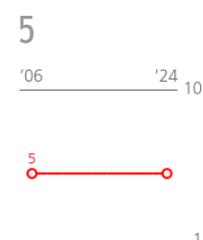
Polarization remains high in the party system as political leaders across the spectrum continue to use – albeit with diminishing success – fear of the other to cultivate support. Political behaviors on the part of citizens remain identity-based rather than cause- or issue-based. Stable support for the Amal Movement (Shi'i), Lebanese Forces (Maronite) and the Progressive Socialist Party (Druze) in the May 2022 parliamentary elections is evidence of this. Sectarian apprehensions continue to shape polarization.

Historically, voters have not demonstrated volatility at the ballot box, to a considerable extent because of the fear factor and the absence of broad social trust outlined above. The May 2022 elections were an anomaly, or potentially a new precedent, insofar as no party is now sure of its monopoly over its constituency. This extends even to Hezbollah, which, while successful in having all of its candidates elected, suffered an unprecedented backlash. The diaspora more than doubled the number of voters who participated compared to the 2018 elections. The possibility that a further increase in the number of diaspora voters will dilute the current party status quo cannot be ruled out in the future.

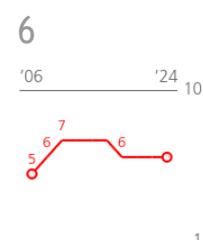
Lebanon enjoys one of the freer civil society environments in the region. This is reflected in the array of interest groups, from professional syndicates (e.g., lawyers and engineers), sporting clubs (e.g., al-Nijmeh) and village associations to environmental groups (e.g., Terre Liban). In general, the spectrum of cooperative groups is not dominated by a small cache of interests. However, they are subject to being trampled by political expediency on the part of political parties and ruling elites.

The degree of cooperation between groups depends on the sector. In environmental advocacy, cooperation is common. The Lebanon Reforestation Initiative (LRI), for example, collaborates with other environmental NGOs, university researchers and community groups in order to expand Lebanon's forests. In the Yammouneh Reserve, the LRI makes use of scientific expertise from researchers at Balamand University, the human resources and local skills from the Yammouneh Social Club, and its own experience in reforestation practices in order to increase forest coverage.

### Party system



### Interest groups



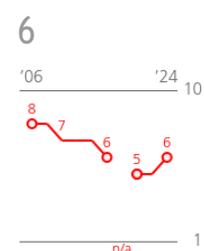
Since the start of the 2019 protests, some traditional interest groups that emerged due to state nepotism and sectarianism have pivoted away from the elite. This, in turn, has reignited some belief in the ability of interest groups to lobby and advocate for improvements to civil society. Nevertheless, the process remains slow and hindered by the economic crisis and societal mistrust.

Arab Barometer VII, released in September 2022, confirms continued support for democracy in Lebanon: 52% of respondents affirmed that democracy is always preferable. Furthermore, 81% of Lebanese surveyed either agree or strongly agree that democracy remains the best system of governance available. Such high support for democracy has been a consistent feature of Arab Barometer results over the past 15 years.

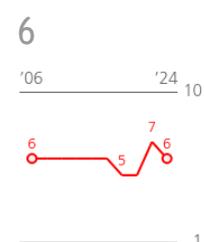
However, support for democracy is tempered by an understandable desire for economic stability and improvement. Consequently, 69% of respondents either agreed or strongly agreed that government type does not matter, so long as it can resolve the economic crisis. Additionally, 65% of citizens surveyed agreed or strongly agreed that government type (democratic or non-democratic) was secondary to whether a government can maintain order and stability.

The extent of social capital and its use are complicated in Lebanon. Although there are strong familial and village networks, extending these to the level of citizen-to-citizen interactions is limited by class and sectarian affiliations. The Legatum Prosperity Index of 2021 registered Lebanon 165th out of 167 countries in the world in terms of social capital, indicative of the low level of trust and mutual support among citizens. The Arab Barometer's 2022 report on Lebanon revealed unprecedented low scores in interpersonal trust: 95% of respondents agreed that "you must be careful when dealing with others," while support for civil society organizations was the lowest of any measured by Arab Barometer surveys. At the same time, the October 17 social protest movements in 2019/2020 illuminated a high degree of solidarity and cooperation across sectarian and class lines throughout the republic, which suggests that the capacity exists for social trust to increase.

Approval of  
democracy



Social capital



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Poverty and inequality have grown in Lebanon since the onset of the financial crisis in late 2019. Yet, the country's Human Development Index (HDI) remains in the "high" category (between 0.700 – 0.799), with registered scores of 0.706 in 2021, 0.726 in 2020 and 0.745 in 2019. Lebanon's HDI rank out of the 191 indexed countries has dropped several places since 2019, when it was 97th. In 2020, Lebanon's rank decreased to 103rd and then further to 112th in 2021.

Meanwhile, the gender inequality index has remained relatively steady, with logged scores of 0.432 in 2021, 0.433 in 2020 and 0.432 in 2019. In contrast, Lebanon's Gini Index score has not been updated since 2011, when it was 31.8. Similarly, poverty data has not been updated since 2011, when 0.1% of the population lived in poverty. The UNDP has not collected data on the overall loss in human development due to inequality since before 2011. Since then, however, poverty has increased exponentially.

According to the United Nations, in 2021, almost three-quarters of Lebanon's citizens were living in poverty, with 82% living in multidimensional poverty.

In this context, remittances from the diaspora have taken on further significance as many individuals, families and communities are now reliant on this external source of income to survive. This uneven influx of foreign capital influences comparative purchasing power.

As the deterioration of the value of the Lebanese pound and the economic freefall continue, the value of the pound vis-à-vis the dollar has reached new, unprecedented lows. Some Lebanese corporations, especially those with operations outside Lebanon, have started paying salaries in dollars. This means that the inequality gap will only increase as some individuals earn dollars and enjoy strong purchasing power while others fall below the poverty line.

Question  
Score

Socioeconomic  
barriers

3

'06 '24 10



1

Economic indicators		2019	2020	2021	2022
GDP	\$ M	51606.0	31712.1	23131.9	-
GDP growth	%	-6.9	-21.4	-7.0	-
Inflation (CPI)	%	3.0	84.9	154.8	<b>171.2</b>
Unemployment	%	11.3	13.0	12.5	<b>12.6</b>
Foreign direct investment	% of GDP	3.7	5.1	2.6	-
Export growth	%	-0.9	-53.7	13.1	-
Import growth	%	-9.5	-46.0	-12.2	-
Current account balance	\$ M	-11264.6	-2995.5	-2985.2	-
Public debt	% of GDP	172.3	150.6	349.9	<b>283.2</b>
External debt	\$ M	73893.1	68867.0	66893.3	-
Total debt service	\$ M	18525.3	12889.2	7303.8	-
Net lending/borrowing	% of GDP	-11.1	-3.6	0.5	-
Tax revenue	% of GDP	15.4	8.9	5.7	-
Government consumption	% of GDP	15.6	9.1	2.4	-
Public education spending	% of GDP	2.6	1.7	-	-
Public health spending	% of GDP	3.5	2.6	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	4.2	3.0	3.4	-

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Historically, Lebanon's political class has portrayed the country as a liberal, business-oriented market economy, with the current Second Republic as a successor to the laissez-faire, mercantile First Republic. However, in reality, fairness in access and competition are limited. Regarding procurement, the Central Tenders Board – which is the public body responsible for overseeing procurement processes – is frequently blindsided as a consequence of legal loopholes. This means that state contracts are often awarded without a transparent tender process, reducing the scope of competition among the firms that apply. Lebanon still has a number of unfulfilled prerequisites necessary for the realization of further public-private partnerships and privatizations.

There are increasing calls to re-engage with privatization as a means to reduce national debt. One public entity that could potentially be opened to privatization is l'Électricité du Liban (EDL), which has contributed over \$42 billion in recent years to the national debt. However, the regulatory environment, particularly in the telecommunications, electricity and civil aviation sectors, requires updating, along with the establishment of formal regulatory bodies to oversee transactions.

In 2019, informal employment accounted for 55.4% of total employment in the country, according to the International Labor Organization (ILO). This figure has undoubtedly increased since then, as the economic circumstances of the country have continued to deteriorate.

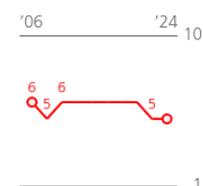
Cross-border mobility of both labor and capital is enabled and received a pre-crisis boost with capital moving from Syria to Lebanon. Concerning labor, cross-border movement, especially of agricultural workers, predates Syria's civil war. As part of the Lebanese State's response to the temporary settlement of displaced Syrians since 2012, a discriminatory employment law was adopted, which has continued to facilitate cross-border labor movement but restricted it to the informal sector.

Market forces mainly determine prices; however, successive governments maintained subsidies on commodities until the summer of 2021. Currency convertibility is difficult due to the free-falling value of the LBP. Prior to the crisis, its peg to the U.S. dollar made convertibility and trade easy and convenient.

Market entry procedures are relatively easy. Licensing is determined solely by start-up capital, which is stated in Lebanese pounds (LBP). In light of the recent crisis, this has become a low entry hurdle for those who possess the capital. Many bank accounts with capital for interest rates were unable to withdraw funds due to the financial crisis; however, transferring funds was allowed. As a result, new businesses, mostly in the hospitality sector, such as restaurants, opened up to generate income from somewhat inaccessible liquidity. Thus, figures from 2021 and 2022 ironically show growth.

Market  
organization

5



Competition remains underregulated in Lebanon, sustaining the prominence of oligarchies and monopolies in various sectors. The country lacks antitrust laws, an independent regulatory body and transparency with regard to incentives.

The country is in desperate need of a competition law with teeth sufficient enough to guard against both unregulated competition and an equally strong, independent regulatory body capable of properly implementing the law. According to the 2014 Lebanon Small to Medium-sized Enterprises (SME) Strategy, a draft competition law ordering the establishment of such an authority has been prepared but not yet implemented. As is the case with any public body in Lebanon, there is a tangible risk that competition regulators will either fall under the control of members of the political class or be strategically under-resourced, preventing them from effectively carrying out their duties. This risk is particularly heightened in light of the recent economic crisis, which has increased control over jurisdictions. Leaders in areas where businesses will open will demand additional side payments.

Lebanon has an extensive history of liberalized trade. It is a member of the World Trade Organization (WTO), the Greater Arab Free Trade Area (GAFTA) and the Agadir Agreement. In 2020, the simple average most-favored nation (MFN) applied tariffs were 6.0% (total), 15.8% (average) and 4.4% (non-average), while the trade-weighted average tariffs were 4.3% (total), 6.4% (average) and 3.8% (non-average). The Investment Development Authority of Lebanon (IDAL) serves as the national authority responsible for promoting foreign direct investment (FDI) and domestic investment, focusing on agriculture, agroindustry, media, technology, non-fixed telecommunications and tourism.

More than 83% of all imported goods are subject to duties equal to or below 5%. In accordance with the European Mediterranean Association Agreement and the European Free Trade Association (EFTA) agreement, most goods from Europe are exempt from customs fees. Similarly, goods from several Arab countries, under the terms of the Greater Arab Free Trade Area (GAFTA) Agreement, are customs-exempt.

Sensitive sectors remain closed to non-citizens. For instance, as per Legislative Decree 137 of 1959, only Lebanese citizens may obtain licenses for manufacturing and trading defense products. Likewise, ownership of newspapers and broadcast media is restricted to nationals in accordance with the Press Law of 1962 and the Broadcast Law 382 of 1994. State-owned enterprises retain exclusive control over fixed-line telecommunications and energy transmissions, effectively creating a monopoly. In cases where a limited liability company (LLC) engages in activities that constitute exclusive commercial representation, citizens are required to hold a majority share and occupy managerial roles. When it comes to banking, insurance and cargo operations conducted as joint-stock corporations (JSCs), a Lebanese-majority board is mandated, which may limit the business' eligibility as potential recipients of FDI. FDI inflows have declined since 2016.

## Competition policy

2



## Liberalization of foreign trade

8



Prior to the 2019 economic collapse, Lebanon's banking sector had a reputation for stability and resilience, as it had long been the strongest-performing sector in the republic. At that time, 142 banks operated in Lebanon. However, this reputation has now collapsed as a result of the country's massive public debt, which is denominated in virtual U.S. dollars. Given the volatility in the banking sector and the Lebanese pound, the World Bank has not updated Lebanon's bank capital-to-assets ratio since 2019. In that year, the ratio was 8.6%, a slight increase from the 8.1% recorded in 2018. Likewise, the World Bank has not provided an updated figure for non-performing loans since 2019. At that time, the share was reported as 15.2%, up from 10.3% in 2018. However, it is understood that, by December 2020, the proportion of non-performing loans had risen to more than 40%.

Loan classification is done according to Basel II, with steps underway to implement Basel III. Similarly, when it comes to minimum capital adequacy ratios, the banking sector has adopted Basel II and III requirements to determine credit, operational and market risks. The ongoing political impasse that this financial crisis has precipitated has meant that vital reforms to restructure the banking sector and restore creditor confidence have not been introduced. In the current climate, overseen by a caretaker government, a paralyzed parliament, and no sitting president, it is unlikely that the reforms needed to unlock liquidity will see the light of day.

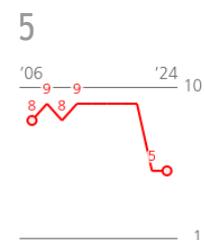
The crisis has also revealed that the entire banking system was built on a highly attractive interest rate on the Lebanese pound (LBP) that many have doubled as a Ponzi scheme. The transfer of capital outside Lebanon, as the crisis was unfolding, demonstrated the immense nepotism in the banking sector and its strong infiltration by political elites.

There is one independent institution for supervision and accountability of the banking sector that, unfortunately, has also been influenced by the political elites and was unable to prevent the current crisis. Since 1920, Lebanon's capital market has been supported by the Beirut Stock Exchange (BSE). All members of the BSE are Lebanese joint-stock companies (SAL). Participation is restricted to a select group of prominent firms, including SOLIDERE, Holcim Liban, Bank Audi and BLOM Bank.

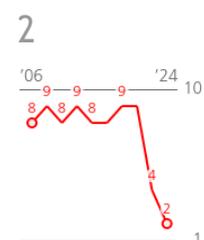
## 8 | Monetary and fiscal stability

Up until the beginning of the current disintegration of the Lebanese pound (LBP) in late 2019, monetary policy appeared to be one policy area in which implementation was consistent and stable. Bank du Liban (BDL), the central bank, with Riad Salamé as governor since 1993, enjoyed what appeared to be broad independence from domestic politicking, with his monetary model a constant in the postwar economy. However, the mask has well and truly fallen off, and monetary stability has collapsed drastically since 2019. As Lebanon enters 2023, it is clear that the stipulations of Mundell's theory – that you cannot have simultaneously a fixed foreign exchange rate, free capital movement and an independent monetary policy – are having a continually negative effect on Lebanon's outlook. No reforms have yet been enacted.

Banking system



Monetary stability



Inflation (CPI), which was 3.0% in 2019, ballooned from 84.9% in 2020 to 154.8% in 2021 and, as of November 2022, was 142.4%. This last figure was the second highest in the world, following Sudan, according to Fitch Solutions. The Lebanese pound (LBP) has been pegged to the U.S. dollar since 1997 at a rate of LBP 1,507 to U.S. dollar. The World Bank has not updated its real effective exchange rate for Lebanon since before 2011. However, in January 2023, BDL announced that, for the first time since 1997, it was officially adjusting the exchange rate, increasing it to LBP 15,000 to U.S. dollar, effective February 1, 2023. This move devalues the currency by more than 90%. In part, this adjustment is a belated response to the widespread speculation and illicit market in currency trading that has emerged across Lebanon since late 2019. Additionally, it is an attempt to provide a degree of certainty regarding the real value of the currency.

The BDL also issued a platform in early 2023, at which banks can trade dollars to LBP at a rate closer to the illicit market but slightly lower. The intention was to limit the illicit market. However, this effort proved unsuccessful. Furthermore, despite the crisis, there is still only talk of approving a capital control law. All attempts by parliament to vote on a draft proposal have failed. Consequently, the implementation of capital control measures remains arbitrary.

The latest IMF visit mission to Lebanon concluded that Lebanon is at a dangerous crossroads, and without rapid reforms, it will be mired in a never-ending crisis. Poverty and unemployment will remain high, and economic potential will continue to decline. A continuation of the status quo would further undermine trust in the country's institutions. Additional delays in implementing reforms will keep the economy depressed, with irreversible consequences for the whole country, but especially low-to-middle-income households.

The financial crisis, ongoing since 2019, continues to have a detrimental impact on fiscal stability. The current account balance, recorded by the World Bank in 2020, was -\$2,959.3 billion, with the BDL reporting an almost unchanged deficit of -\$2.85 billion in late 2022. Public debt is unsustainable, swelling to 150.6% of GDP by the end of 2020. In September 2022, the Finance Ministry announced that public debt had ballooned to \$101.1 billion, in raw figures. However, these figures are based on the old exchange rate of LBP 1,507.5 to U.S. dollar. Public debt is held by various institutions: the BDL held 39%, domestic commercial banks 12.2%, international institutions, including governments, held 12%, non-bank financiers held 9.7% and investors, both local and foreign, held 37% as of mid-2022.

Meanwhile, external debt remains high, although it decreased from \$73.9 billion in 2019 to \$68.9 billion in 2020 and \$66.89 billion in 2021. The calculated total debt service was \$12.9 billion in 2020 and 65.9% (export of goods, services and primary income) in 2021. Net lending/borrowing is negative, logged at -4.5% in 2020, which, although adverse, is an improvement from the -11.1% recorded in 2019. Government consumption has remained relatively stable, growing from 15.3% of GDP in 2018 to

Fiscal stability



15.6% in 2019 and 15.7% in 2020. In contrast, total reserves have taken a large hit, dropping from \$38.2 billion in 2019 to \$25.0 billion in 2020 and \$18.5 billion in 2021. Remittances, contributing approximately 38% of GDP in 2022, according to the World Bank, will continue to play an essential role in fiscal policy moving forward.

In March 2020, the republic defaulted on its debt repayments to EuroBonds. Subsequent administrations have not yet negotiated the restructuring of this debt. Despite the immense need for the formation of a new (non-caretaker) government to implement reforms to budgetary policies and fiscal stability, there has been no movement on that front by Lebanon’s political parties and leaders.

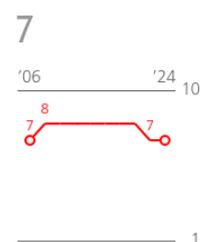
## 9 | Private Property

Lebanon has an established framework for the registration and protection of private property. The constitution guarantees “individual initiative and private ownership,” and there are several institutions overseeing various aspects of land ownership and private property regulation in the republic. These institutions include the General Directorate of Land Registration and Cadaster (GDLRC), the Directorate of Geographic Affairs of the Lebanese Army (GAD), the Directorate General of Urbanism (DGU), the Directorate General of Administrations and Local Councils (DGALC), Real Estate Tribunals (RET) and the State Shura Council (SSC).

Despite this institutional division of labor, there are concerns regarding the quality of services provided. For instance, property registration, which the GDLRC performs, needs streamlining, according to U.N. Habitat. In a closely related matter, the state should establish a national land inventory to improve statewide land management. This could also contribute to strengthening implementation. The effectiveness of the existing framework of protections is dependent on enforcement, which is currently low. Corruption, along with the weak rule of law in the country, blurs the line between public and private property and undermines confidence in the private property regime.

According to numerous NGOs, thousands of people are still homeless or living in precarious housing following the August 2020 Beirut Port Explosion. Many of those who managed to stay have relied on Law No. 194, which prohibited evictions and real estate sales for two years in the districts impacted by the blast. However, deteriorating economic conditions are prompting many landlords to sell, potentially exacerbating the issue and leading to increased homelessness.

### Property rights



Private enterprise is permitted and protected. It has been an integral part of the national narrative since the founding of the First Republic. However, there are well-established informal hierarchies that diminish the equality of available protections. For instance, in the aftermath of the capital crisis, banks – backed by the BDL – violated the private enterprises and property of citizens through illegal control of their capital. This had a detrimental impact on the ability of businesses to maintain operations. Reflecting a significant decline in local confidence, the Blom Lebanon Purchasing Managers' Index reported a decrease from 49.1 in October 2022 to 48.1 in November 2022, representing the fastest deterioration in private sector conditions since April 2022. According to the index, a reading of 50 is considered neutral, thus indicating that the operating conditions of the formal private sector may be entering a prolonged period of contraction.

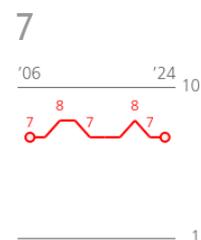
There has been no large-scale privatization since before 2019. Yet, as the crisis continues to unfold, there has been considerable discussion with the IMF about either public-private partnerships (PPP) or outright sale of a number of Lebanon's state-owned assets, such as the EDL. To date, no concrete proposals have emerged.

## 10 | Welfare Regime

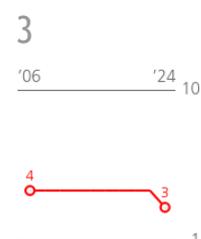
There is a significant disparity in contemporary Lebanon between the theory and reality of social safety nets. Formally, the republic's welfare system is centered around the National Social Security Fund. Although it is not fully funded or implemented, it does offer insurance packages for illness, maternity, work accidents and occupational injuries, as well as family benefits programs. The National Poverty Targeting Program (NPTP), the country's first social safety net program to specifically aid individuals living in poverty, was launched in 2011 with funding from the World Food Program (WFP). The Ministry of Social Affairs (MoSA) and the Presidency of the Council of Ministers (PCM) implemented the NPTP, which was expanded in 2021 in response to the current economic crisis, with the objective of assisting 75,000 of the most vulnerable families (approximately 420,000 individuals). Additionally, the WFP provides enumeration services and cash payments on behalf of the Lebanese government, highlighting the state's inability to support its most vulnerable citizens without external assistance. This particularly applies to the Emergency Social Safety Net (ESSN) program, which had aided over 63,000 Lebanese families (approximately 295,000 individuals) as of the end of 2022.

However, reality is starkly different. Community-based care and assistance are often handled by religious and community organizations, as well as other NGOs. Since the onset of economic freefall in 2020, there have been no holistic social safety nets providing for any of the abovementioned provisions. As a consequence of the dollarization of the economy and the scarcity of U.S. dollars, public health institutions can no longer bear the burden of covering civil servants' pensions and health care. Meanwhile, private providers request payments in U.S. dollars, making coverage unaffordable for the majority.

### Private enterprise



### Social safety nets



Although life expectancy at birth increased from 78.9 years in 2019 to 79.0 years in 2020, it remains to be seen how the economic crisis will influence its future trajectory. According to World Bank data, public expenditure on health as a percentage of GDP rose from 3.6% in 2017 to 4.3% in 2018, before slightly decreasing to 4.2% in 2019.

There is no public housing program in Lebanon, which increases the risk of homelessness, especially in periods of crisis. With inflation increasing, rents across Lebanon have also increased, pushing more families into debt. Research by the Norwegian Refugee Council (NRC) suggests that the average debt for a low-income household is five times the average rent it pays. In 2022 alone, the NRC received more than 15,000 requests for rent assistance.

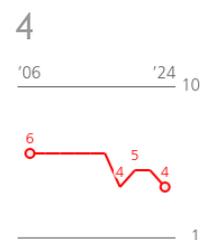
In summary, NGOs bear the primary burden of serving as a social safety net, along with providing overseas families with means to send remittances in foreign currency, notably U.S. dollars. A select few families with appropriate connections have received backing from political parties.

The domestic system for primary and secondary education is broadly divided between public schools, where the language of instruction is Arabic and two private systems with French and English as languages of instruction, depending on their founding and benefactors. According to UNESCO, literacy rates have nearly reached gender parity. Among males aged 15 to 24, 99.7% are literate, while the same is true for 99.9% of their female co-nationals. The overall literacy rate for the entire cohort is 99.8%. In terms of access to education, women, ethnic groups and religious groups theoretically have equal opportunities, thanks to the provision of public schools and societal values that prioritize education.

The ratio of female to male enrollment at the tertiary level, as reported by USAID, is 0.65, suggesting a degree of disadvantage for young women seeking university education. Gross enrollment at the tertiary level, meanwhile, is 20.6% – well behind the regional average of 51.76%. These figures do not reveal the importance of socioeconomic class to education in Lebanon, with higher-quality teaching in private institutions, (primary, secondary and tertiary), the costs of which make them inaccessible to many Lebanese students.

The disadvantage observed in education is similarly evident in the statistics on formal employment. For instance, discrimination persists in public office. Women are seldom considered for high government positions and generally do not win elections. Non-citizen residents are prohibited from joining associations and syndicates, which are essential to practicing high-skilled professions such as medicine, law and engineering. Currently, there are no legal provisions to address these forms of discrimination. It is not surprising, then, that the female labor force as a share of the total labor force remains low – 24.5% in 2021, unchanged from 2020, and slightly lower than the 24.9% recorded in 2019. There is no precise data available on employment figures in the informal sector, but this sector accounted for over 60% of total employment in 2022.

Equal opportunity



## 11 | Economic Performance

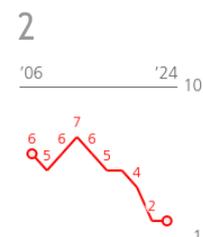
Lebanon's economic output has declined across the board as the crisis shows no sign of abating in the absence of meaningful, bold action from the political class. GDP per capita (PPP) has steadily deteriorated, from \$15,105 in 2019 to \$11,377 in 2020 and \$10,691 in 2021, according to the World Bank. The republic's GDP likewise has fallen, from \$52.0 billion in 2019 and \$31.7 billion in 2020 to \$23.1 billion in 2021 (in current dollars, PPP). Inflation (CPI) is one of the biggest effects of the current crisis – affecting citizens' daily lives and limiting their capacity to buy necessities. Prices at restaurants and hotels, as well as the cost of education, have tripled on average. Similarly, the costs of shoes, clothing and household items have more than doubled on average. Inflation increased from 3% of GDP in 2019 to 154.8% in 2021.

The official unemployment rate does not accurately reflect the extent of Lebanon's crisis. In 2021, official unemployment was 14.5%, marking an increase from 13.3% in 2020 and 11.4% in 2019. The official figures fail to include citizens employed in the informal sector, which accounts for over 50% of all working Lebanese. Meanwhile, official youth unemployment reached a staggering 47.8% in October 2022, highlighting the difficulty young Lebanese people face when it comes to establishing a livelihood. These circumstances have contributed to the recent surge in emigration from Lebanon.

The proportion of foreign direct investment as a percentage of GDP has been on an upward trend, rising from 4% in 2019 to 11.0% in 2020. However, further investment will be necessary to rebuild Lebanon's devastated infrastructure. The country's current account balance remains negative, having reached -\$11.37 billion in 2019, but showing improvement to -\$2.95 billion in 2020. While the public debt situation has been in a state of flux, it remained unsustainable at 150.6% of GDP in 2020, a slight improvement from 172.3% in 2019. By mid-2022, public debt had increased by 3.5%, surpassing \$101.6 billion.

Net lending/borrowing as a percentage of GDP, is negative but shows some signs of improvement, decreasing from -11.1% in 2019 to -4.5% in 2020. Tax revenues, meanwhile, as a percentage of GDP have decreased from 15.4% in 2019 to 10.9% in 2020. GDP per capita growth data from the World Bank is negative. From -2.5% in 2018, it increased to -6.9% in 2019 before exploding to -25.6% in 2020. However, it has subsequently shown some improvement, decreasing to -9.8% in 2021. According to the World Bank, gross capital formation, last recorded in 2020, accounted for 9.5% of GDP.

Output strength



## 12 | Sustainability

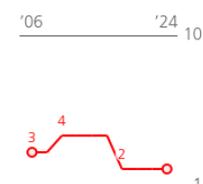
Despite the significance of the environment to Lebanon's national narrative and its tourism agenda – evocatively embodied by the cedar tree, its national emblem – Lebanon is not renowned for its environmental record. Whether the cause is post-independence state-building, civil war, postwar reconstruction or the current economic meltdown, environmental policy has suffered for decades as a low-order priority for policymakers. Something more immediate has always materialized. However, in recent years, as knowledge and experience of climate change have become more pronounced, advocates of environmental policy have become more vocal. The success of local communities and activists in preventing the development of the Bisri Dam in 2020 is one example, as is the success of the work of the Lebanon Reforestation Initiative (LRI).

Lebanon currently relies on gasoline, oil and gas to meet its energy requirements, all of which are 100% imported at increasing costs due to the devaluation of the Lebanese pound (LBP). In the sector of renewable energy, Lebanon lags behind many of its regional neighbors. In 2014, less than 1% of energy consumption needs were met with renewable energy. It was only in 2018 that the republic's first power purchase agreement (PPA) for electricity consumption from renewables was signed. Despite this, since the onset of the current crisis, many citizens have turned toward renewable energy sources, especially solar, as a means of stabilizing their electricity supply. Diasporic communities and their remittances have been particularly important in facilitating local installations. Since 2020, private installations (at businesses or homes) have added 350 megawatts of renewable energy to the national grid, constituting approximately 5% to 7% of annual consumption. However, these acts by citizens are having the unintended consequence of removing pressure from the central government to provide energy from renewable sources.

The government has publicly declared a commitment, reaffirmed at COP27 in Egypt, to source 30% of national energy generation from renewables by 2030. The current National Energy Efficiency and Renewable Energy Action (NEEREA) plan facilitates the growth of investments in renewables by establishing low-interest-rate loans for all renewable energy projects. As of March 2019, NEEREA had financed over 938 projects. Nevertheless, financing for projects is contingent on the finalization and acquisition of the \$3 billion IMF rescue package, which is yet to be adopted by the caretaker Miqati government.

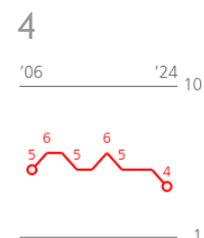
Environmental  
policy

2



Historically, Lebanon has been known for having the region's top educational institutions, spanning from primary to tertiary levels. However, like in other policy areas, education and research and development have suffered due to political expediency taking precedence. For instance, the World Bank has not recorded any data on R&D expenditure in Lebanon since before 2010. Moreover, Lebanon's score on the U.N. Education Index remained stagnant at 0.604 between 2019 and 2021. While public spending on education has seen a slight increase in recent years, rising from 2.1% of GDP in 2017 to 2.6% in 2019, according to the World Bank, this hasn't translated into demonstrable improvements when compared to other countries. On the other hand, private universities such as the American University Beirut, the Lebanese American University, the University of Balamand, and St. Joseph University continue to produce substantial scholarly and scientific output, which has influenced domestic initiatives. For instance, collaborations between the LRI and Balamand researchers have led to significant advancements in reforestation efforts, improving seedling survival rates through shared scientific research. Lebanon has a high total literacy rate, close to 100%, surpassing the World Bank's 2018 figure of 95.1%. However, public education expenditure has nearly ceased since the start of the economic crisis, offering little to no support for students. Meanwhile, refugees who have received education outside of Lebanon are unable to integrate into the local schooling system. Some manage to access public afternoon school programs with different curricula, while others rely on special programs provided by NGOs like Jusoor.

#### Education policy / R&D



## Governance

### I. Level of Difficulty

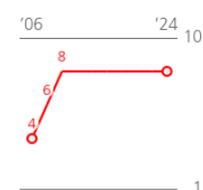
The greatest structural constraint to governance in Lebanon is perhaps the very system that has kept the kleptocratic political class in power since the end of the civil war, because there are few geographical or geopolitical constrictions to capacity. Lebanon's woes are overwhelmingly the result of the political leadership to which the republic has been subject. The exponential increase in poverty in Lebanon since the onset of the economic meltdown in 2019 is but one example.

It is true that Lebanon does not possess readily exportable natural resources such as hydrocarbons, although there is hope that explorations in the prospective Karish and Qana gas fields off Lebanon's south coast will yield opportunities for exports with foreign investment. Being a small country, both in terms of territory (10,452 square kilometers) and population, (5.5 million in 2021) Lebanon does not have the capacity to develop large-scale manufacturing. However, its geographical location between Europe and Asia, the number of available and potential ports (Beirut, Tripoli, Sidon and Tyre), and its well-educated population at home and abroad mean that with evidence-based planning, imagination and leadership, Lebanon could overcome its geographical limitations.

Geopolitically, Lebanon's two neighbors, Israel and Syria, continue to directly and indirectly restrict its governance and sovereignty. Both meddle not only in the republic's internal affairs but also provide cover for non-state militias under the guise of "the resistance." These acts not only contradict Lebanon's constitution but existentially challenge the country's ability to develop new models of governance. This is likewise true for regional politics and rivalries, especially between Iran and Saudi Arabia. The ongoing civil war in Syria continues to negatively affect Lebanon, with the presence of an estimated 1.5 million refugees in the country placing considerable pressure on local hosting communities and the state.

Structural  
constraints

8



Lebanon has a long history of civil society organizations (CSOs) and traditions that emerged during its early years of independence. The civil war (1975 – 1990) broke and reconfigured the chain of CSO activity and laid the foundations of the sectarian postwar order. The fragmented state of this order removed opportunities and resources for CSOs but simultaneously provided opportunities for dynamism, diversity and autonomy rare among Arab states. The political class has lacked the internal cohesion necessary to unilaterally control civil society.

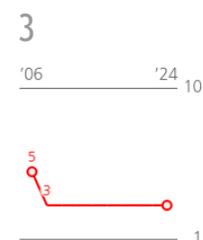
However, CSOs have struggled to build social capital and achieve objectives in Lebanon for two interconnected reasons. Internally, civil society movements, such as You Stink in 2015, have demonstrated an inability to devise clear economic, social and/or political programs to address specific issues. This has meant that, over time, after the initial impetus wears thin, maintaining momentum to continue mobilization becomes difficult, if not impossible. Externally, CSOs and civil society movements have had difficulty resisting penetration and pressure from sectarian political parties. Parties have been able (1) to use state resources and security forces to quell demonstrations and manipulate the field of play, and (2) they have altered the trajectories of movements, such as You Stink or the October 17 Uprisings, by tactically supporting them. Recently, this pattern was disrupted after it became evident to many that cooperation among civil society groups could lead to positive political results, particularly in elections.

The trend has changed, however. During the 2019 social protests and leading up to the elections in 2022, the groups managed to shield themselves, to a certain extent, from what divides them and collaborate to achieve political success through elections. An unprecedented 13 independent and CSO-rooted members of parliament were elected, marking the beginning of what collaboration could bring in terms of political change. This should increase social trust among CSOs. Despite this potentially positive outcome, social trust in Lebanon has trended significantly downward. The Arab Barometer reported in 2022 that 95% of respondents claimed, “you must be careful when dealing with others,” with only 25% stating that they had “a great deal of trust in civil society organizations,” while a mere 4% of respondents acknowledged being a member of a CSO. Together, the three indicators indicate low levels of social trust.

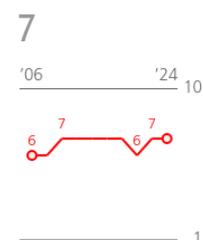
Lebanon is vulnerable to intense conflicts, having demonstrated this at different moments in its history. Politics is polarized and society divided along sectarian cleavages. The political class has used these cleavages to pursue their own objectives.

In 2021, judicial authorities rejected attempts by the two Shi'i groups, Hezbollah and Amal, to have the judge investigating the Beirut Port explosion, Tarek Bitar, removed from the case. Hezbollah Secretary-General Hassan Nasrallah previously contributed to the politicization of the investigation by calling Bitar unjust and compromised, always without providing evidence of either accusation. In response to the setback, the two parties organized a protest march to descend on the Palace of Justice in Beirut.

### Civil society traditions



### Conflict intensity



The march became violent, with small street skirmishes in the Tayyouneh neighborhood. It is still unclear how this transpired. Some locals described communal defense against property violations by demonstrators. Hezbollah and its allies, by contrast, claimed there was provocation by Lebanese Forces snipers. In any event, more than 30 people were injured, and six fatalities were reported by the Red Cross. This event reveals the real risk of the re-emergence of uncivil violence.

One of the formal objectives of the political process since Taif is the search for consensus. Although well-meaning, if interpreted optimistically, in practice, this search has frequently devolved into paralysis. Presidential vacuums following the terms of Emile Lahoud, Michel Suleiman and Michel Aoun are examples. Another illustration of the potential for consensus breaking down concerns state authority. In 2008, the Siniora government accused Hezbollah of violating the country's sovereignty by operating its own communications network and took action to dismantle it. Hezbollah responded by sending members of its militia into Beirut, hijacking parts of downtown and West Beirut in a show of force designed to intimidate and cause the government to retreat. It was successful not only in forcing a retreat but also in demonstrating its resolve to turn its weapons on Lebanese citizens and the state when it was expedient.

## II. Governance Performance

### 14 | Steering Capability

The search for consensus reduces the efficacy of prioritization because all policy areas are subject to change, horsetrading and reprioritization. In practice, this means that, although governments create budgets (often delayed), which are evidence of prioritization, cabinets are hamstrung by a de facto requirement for unanimity. This enables individuals as representatives of parties and sects to withdraw support on an issue-by-issue basis until some other matter is resolved. Since 2005, the obsession has been forming governments of national unity, which, in reality, unify nothing and instead balance and, where possible, harmonize the interests of political parties against each other. Their composition owes more to inter-party and faction-balancing than merit. The governments of Saad al-Hariri (2016 – 2020) and Najib Miqati (2021) fall into this category. When prioritization does occur, it generally serves a narrow clique of interests.

There are exceptions, however, often designed and/or implemented with external assistance. In collaboration with the World Food Program (WFP), Lebanon developed a five-point strategic plan (2023 – 2025) that aims to: (1) meet the essential needs of the most vulnerable and food-insecure sectors of the population, (2) improve

Question  
Score

Prioritization

2

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resilience among the extremely poor by expanding existing national safety nets, (3) develop more resilient livelihoods for the vulnerable in the face of economic and climatic shocks, (4) increase the capacity of national institutions to manage social safety nets and associated programs, and (5) advance methods and procedures of humanitarian coordination to deliver assistance more effectively. As of early 2023, many of these points still require substantial commitment if the overall objectives of the strategic plan are to be met by 2025.

Implementation in general serves the particularistic objectives of the political class and therefore is beholden to often-shifting priorities and compromises.

Najib Miqati's latest term as prime minister (September 2021 – May 2022) and as caretaker prime minister (since June 2022) are indicative of this. Miqati formed his government in September 2021. In a subsequent interview, he identified four key issues at the top of the government's agenda: "confronting the COVID-19 pandemic, the reconstruction of the Beirut port, general reforms and parliamentary elections."

Cases of COVID-19 spiked on December 27, 2021 (20,029 cases), peaking on January 31, 2022 (57,803 cases), according to the World Health Organization (WHO). Another wave began on June 13, 2022 with 2,393 cases, peaking at 20,565 cases on July 18, 2022. Since then, the number of infections has decreased. The government may therefore take some credit for reducing infections. The reconstruction of Beirut's port, meanwhile, remains delayed with little immediate progress expected as of January 2023. Initiating talks with the IMF was identified as among the government's most significant tasks in terms of reforms. Miqati noted that he had eight months (prior to the 2022 elections) to secure outcomes. However, as of late January 2023, the talks remain stalled, denying Lebanon vital funds to address its numerous woes, including energy sector reform, which also has not progressed due to the ongoing political quagmire. In April 2022, the prime minister and U.N. Resident Coordinator for Lebanon Najat Rochdi signed the United Nations Sustainable Development Cooperation Framework (UNSDCF). The framework is designed to strengthen existing cooperation between Lebanon and the United Nations toward the implementation of sustainable development. The May 2022 elections were held on time.

The political deadlock and the looming presidential elections meant that the reform plans were postponed indefinitely. Toward the end of 2022, when the president's term ended, the prime minister was only left with an administrative mandate that did not allow for the implementation of reform policies.

Implementation

3

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Policy learning is something of a political unicorn in light of the political class's demonstrated refusal to reform a system designed with their advantage, rather than that of the public, in mind. Many of the ills plaguing Lebanon did not emerge yesterday, having been constants of the postwar era. They include an unresponsive, poorly planned sanitation and garbage collection system, an absence of environmental prioritization other than individual cases such as the Shouf Biosphere, a poorly functioning, expensive energy sector and an ailing infrastructure grid. Each of these has been a discussion point on government agendas for decades, yet little progress has been made. For example, it took pressure from the You Stink Movement in 2015 for a new waste management plan in the Beirut Municipality to be drafted and approved.

Policy learning has perhaps been evident in Lebanon's international relations, especially with regards to aid. Successive governments, in conjunction with the BDL, have proven savvy in acquiring aid for specific policy areas, only for it to be siphoned off to somewhere else. For instance, over \$1 billion in humanitarian aid has entered Lebanon in the last five years for education. Yet, as the director of the Center for Lebanese Studies, Maha Shuayb, notes, "We have seen an avoidable and worsening education disaster" affect both local and refugee (primarily Syrian) children attending public schools. A report published in May 2020 reported that the Ministry of Education had inflated the numbers of Syrian children enrolled in public schools. It was calculated that this provided the ministry with a minimum surplus of \$7 million from donors in 2019/2020. In 2022, the ministry begrudgingly announced, after pressure from donors and civil society, that it would start regularly publicizing statistics on enrollment and budgets. This is evidence of a broader trend: opportunities for policy learning and implementation of learned lessons are driven by societal and international pressures.

## 15 | Resource Efficiency

Competitive recruiting processes for positions in the public service are subsumed to competition between political parties and their factions. The service and its work are therefore politicized in a way that negatively affects performance capabilities. This can be observed in the appointment of the *Électricité du Liban* (EDL) board in 2020, in which faction and sectarian considerations were more important than competency. Additionally, attempts to derail the investigation of the Beirut port explosion have evolved into attempts to politicize and destabilize the judiciary and the independent selection of judges. Furthermore, the active links between politicians and the private enterprises with whom they have vested interests, in some cases, actively discourages the improvement and expansion of public service provision. One need only look at waste collection and the state of electricity production to ascertain the negative effect this has had on citizens' quality of life.

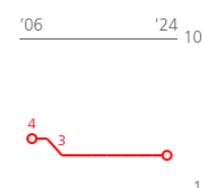
### Policy learning

3



### Efficient use of assets

3



Budgetary resources are deployed neither effectively nor efficiently to address present socioeconomic conditions. For example, the 2022 budget entailed tripling salaries for all public sector employees (inclusive of military and security personnel). However, this increase did not raise wages in line with inflation and cost-of-living pressures. True levels of government debt are not disclosed publicly, a reality the World Bank's vice president for MENA, Ferid Belhaj, commented on with concern in February 2023. Nevertheless, according to the IMF, Lebanon's debt-to-GDP ratio is modeled to decline gradually to approximately 100% by 2026, depending on the willingness of future governments to engage in systemic reform.

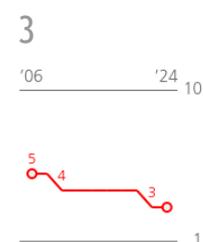
The peculiar obsession with “consensus” among Lebanon's political class is a symptom, not of a streamline mechanism for policy coherence, but of the absence of one. The search for consensus often leaves strategically vital ministries and their development at the hands of political parties and individuals who are not accountable. The Free Patriotic Movement's possession of the country's energy portfolio since 2008 is one example. Electricity generation, costs and reliability have hardly improved in the intervening years. Yet, successive prime ministers have awarded the portfolio to the FPM. Trade-offs concern policy objectives and their acquisition less than they do personnel. Coordination may be visualized as a cluster of spider webs, each with a different spinner, and therefore distinct, yet simultaneously connected. This extends down to the level of municipalities, which, although they possess substantial autonomy on paper, are beholden to budget allocations formulated by the central government.

Since the onset of the crisis, the various political parties have blamed their counterparts for the absence of proper governance. This has only intensified the incoherence of any “national” policy platform.

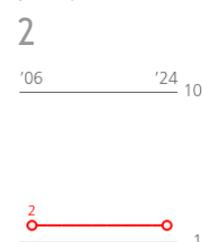
Corruption exists at all levels of government. Personalized relations via *wasta* and nepotism have only grown in importance since the onset of the economic crisis. Only with substantial external and domestic pressure have some recent changes been made to the anti-corruption matrix. For instance, the National Anti-Corruption Law was passed in April 2020. The law calls for the creation of the Anti-Corruption Commission with broad national powers. However, at the close of 2022, the commission still did not have the associated bylaws and budgetary resources required to carry out its functions.

The election law does not limit the financial spending of political parties. Nor are there vigorous monitoring agencies for police spending during electoral campaigns. Foreign donations are prohibited, but anonymous donations are allowed, opening the window for foreign interference. The playing field is hard for new candidates and parties to access. Vote-buying is a problem and occurred during the last election in May 2022. One of its more cynical forms was voters receiving fuel coupons in payment for their votes. Formal auditing of state expenditures is almost nonexistent and is avoided on purpose.

Policy coordination



Anti-corruption policy



Lebanon passed an Access to Information Law in 2017. The law requires all state administrations to publicize budgetary information and decisions. It also allows citizens and journalists to request information from ministries. However, it is not yet fully implemented. The waiting times for requested information are long.

## 16 | Consensus-Building

There is normative agreement on democracy and a market-based economy in Lebanon, but not as objectives of development or transformation. Rather, both serve as narrative frames through which the extant status quo can be maintained and, with it, the privileges of the political class.

With regards to democracy, there have been no substantive reforms to the political system since the end of the civil war. Key stipulations of the Taif Agreement, such as creating a bicameral parliament, remain to be implemented. The upper house, the composition of which would draw on sectarian quotas, could allow for the abolition of sectarianism in the electoral system that determines members of the lower house. Beyond this, there is little evidence of improved democratization processes within the major parties. For example, in the lead-up to the May 2022 elections, only one electoral group, Shamalouna (Our North), held publicly open primary sessions to nominate candidates for the election. In the other cases, candidates who appeared on the lists were selected from within their electoral collective or political party without internal votes. This makes it clear that all major parties resist the implementation of further democratization. This was one of the central pillars of the October 17, 2019 uprisings, and a number of members of parliament were elected in May 2022 on the back of this grassroots support. Whether this translates into greater citizen power in the future remains to be seen.

Concerning the market economy, Lebanon's immediate macroeconomic stability appears to depend on whether or not the current caretaker government, led by Najib Miqati, can convince the international community that it will make sufficient structural reforms to warrant the release of rescue stimulus funds. There is consensus across Lebanon's ideological spectrum that a rescue package is necessary, as there is consensus that market-based economic solutions are required. However, there is little agreement on how to pursue these aims. Lebanon's economic model is close to that of crony capitalism and network-oriented rent-seeking.

At the same time, there has been an increased sense that the market economy model is the cause of the economy's freefall. Calls to move away from it are audible, although nothing programmatically concrete has occurred yet.

Consensus on goals

4

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Reformers are not able to overcome or exclude non-democratic actors. Different forms of veto power exist. This is evident in the difficulties the Change members of parliament bloc of 13 parliamentarians elected in the May 2022 elections faces. Change members of parliament has made a policy out of not cooperating with the establishment, and while admirable, this has limited their role in the current parliament. Away from Beirut, municipalities, which on paper have substantial autonomy, are hamstrung by reliance on funding allocations from the central government. When municipalities or their constituents act against the interests of powerful factions in Beirut, this can result in reduced funding and stymie of municipal approvals. This occurred after the 2010 Baalbek municipal elections, in which Hezbollah lost control of the council and then punished the council by blocking approvals.

There is also the issue of organized armed actors, most notably Hezbollah, but not only those that coerce other parties to achieve tactical or strategic goals, as in 2008. The restraint shown during and after the 2021 Tayyouneh events says more about the dire economic circumstances in the republic than it does about the willingness of armed actors to push Lebanon closer to the abyss.

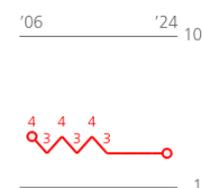
Conflict management in Lebanon is complicated. On the one hand, the longevity of the post-civil war political system, and its proponents' success in stalling the reform agenda that ended the civil war (the Taif Accord), are evidence of a kind of cleavage management. On the other, the potential for small-scale disagreements or conflicts to escalate quickly out of control indicates political leaders' consistent inability to resolve conflicts at the source. The political order can only exist because of long-running divisions in Lebanese society. The Tayyouneh clashes in 2021 are an example of both. Away from formal party politics, however, the Lebanese state has not demonstrated effective cleavage management. In 2020, for example, it took recourse to tribal customs to diffuse the skirmishes and tensions between the Jaafar and Jamal clans in Qasr.

Since 2019, division in Lebanon has become horizontal as well as vertical. As a result, the political leadership has fueled tension and division narratives to try and maintain its power. However, at the local level, local political actors still manage to work across communities and prevent society from falling into a deep vertical division.

The sheer scale of the October 17, 2019 uprisings, which were unprecedented, suggests that a chasm between citizens and policymaking spheres exists. There is no direct consultation with developmental civil society members on issues of economic recovery. Lebanon has a diverse civil society sector, the relative freedom of which allows it to publicly declare positions and lobby members of parliament. Religious organizations, including the Waqf and Maronite Church, have some leverage in influencing decision-making on an issue-by-issue basis. This does not mean that civil society cannot inform or shape policy. For example, environmental policy and conservation outcomes have long been the result of local agitation. Conservation of

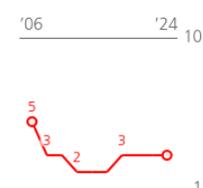
Anti-democratic actors

3



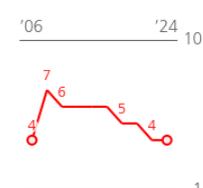
Cleavage / conflict management

3



Public consultation

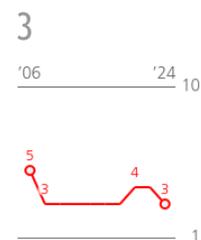
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the Eurasian otter in Lebanon was overseen by NGOs: Lebanese Wildlife and the Lebanon Reforestation Initiative managed the process from fieldwork through draft protections.

Lebanon does not have a good record of reconciliation between victims and perpetrators. There was no formal reconciliation process at the end of the civil war. Many active agents in the war remain free citizens and even members of the political class. The state made some efforts to investigate and reconcile parties after the assassination of Rafiq al-Hariri in 2005. But when the pursuit of the truth became difficult, it was dropped. There are fears that the investigation into the Beirut port explosion on August 4, 2020 will be similarly discarded. The presiding judge, Tareq Bitar, has issued a number of arrest warrants, the validity of which has been challenged by Hezbollah Secretary-General Hassan Nasrallah. It is unlikely in the current climate that there will be reconciliation between depositors and Lebanon's banks, especially while the latter engage in a collective freezing of access to deposits.

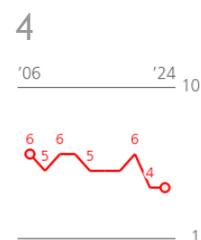
#### Reconciliation



## 17 | International Cooperation

The support of international partners, both state (members of the GCC, for example) and non-state (the diaspora, the World Bank and the IMF), has been instrumental in Lebanon's postwar period. This support includes reconstruction funds and funding the BDL's now discredited pseudo-Ponzi scheme to attract interest in foreign deposits from members of the diaspora.

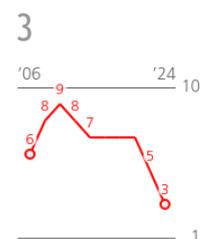
#### Effective use of support



There are road maps for development that have been drafted and implemented with international assistance. However, these plans are not followed through. As noted above, the republic's five-point Strategic Plan (2023 – 2025) with the WFP requires increased commitment from domestic policymakers if its objectives are to be reached.

Additionally, since 2020, in the aftermath of the Beirut blast, a Financial Reform Plan (Reform, Recovery and Reconstruction, 3RF) has been agreed upon with the World Bank. The political partners in Lebanon have not made progress on the plan.

#### Credibility



The international community has become increasingly frustrated with Lebanon's politicians and their inability and/or lack of will to affect systemic change to institutions and formal processes. Consequently, Lebanon has lost credibility in the international arena. The decades of soft power enjoyed by the First Republic are long gone. In part, this has to do with the fragmented nature of the Lebanese state. Different political constellations organize external relations with their specific patron networks. All postwar prime ministers, with the exception of Hassan Diab, have been closely connected with Saudi Arabia, the GCC and, during the Syrian occupation, both Assad regimes. This connection has meant that prime ministers have generally adopted a pro-western outlook, at least in name. Maronite parties, notably al-Kataeb and the Lebanese Forces, have maintained close ties with France and the United States. Hezbollah's ties to the Syrian and Iranian regimes are well documented.

The nomination of Najib Miqati to the premiership in 2021 generated a brief outpouring of support and optimism from Lebanon’s creditors, but this soon evaporated. Before the current economic and political crisis, successive governments had failed to reform a number of sectors, including those that had received funding to support reforms.

The ILO notes that “despite some progress to improve the policy framework for human rights protection, women’s rights, refugees’ rights and the rights of migrant workers, Lebanon continues to fall short of international benchmarks.” Lebanon has ratified seven of the ILO’s eight fundamental conventions, which encompass key areas where human rights and labor rights intersect. These include freedom to associate, equal opportunity at work and conventions against forced and child labor. The notorious kafala system for foreign laborers violates a number of these conventions.

Given Lebanon’s structural restraints, most notably its small size, forging international relations has been an essential part of the country’s history. It is a founding member of the United Nations and the League of Arab States. This suggests a keen willingness to engage in cooperation in the region and further afield. Lebanon is a member of the Greater Arab Free Trade Area (GAFTA). Nevertheless, Lebanon’s historical relations with its regional neighbors have been contentious and conflictual, whether in relation to its former occupier, Syria, or its ongoing state of war with Israel. At the end of 2022, Lebanon and Israel agreed, with U.S. mediation, on the demarcation of their shared maritime border. The republic hopes that maritime gas resources can be discovered and extracted in a way that provides relief to the current financial malaise.

In 2021, in a move supported by the United States, a plan was agreed upon for Egypt to pipe gas to Lebanon through Jordan and Syria. This would have avoided sanctions under the Caesar Act. Action on this front has stalled, however, due to the ongoing presidential and governmental deadlocks.

Regional  
cooperation

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## Strategic Outlook

Lebanon's Second Republic has been immersed in an unprecedented crisis since late 2019, which shows few signs of abating in the short-to-mid-term. In relation to democratization, advances must be made in three areas to stimulate the rebuilding of trust between formal politics and the citizenry. First, intraparty democratization is crucial, such that parties initiate internal, transparent competitions for administrative and representative roles. Increased party democratization would bring citizens closer to policymaking forums and agenda-setting tribunals.

Second, the development of a robust, independent electoral commission capable of reforming electoral laws and monitoring their implementation is crucial. Corrupt practices and vote-buying, disguised in various forms, remain common, and the financial activities of political parties during elections are not made public. Therefore, the focus of such a commission should be enhancing trust and transparency in order to incentivize new behaviors.

Third, the application of the Taif stipulations and the implementation of the constitution are necessary to ensure the proper functioning of all legislative and executive chambers. This national road map is particularly complex for two reasons. First, it requires the elimination of political sectarianism in both the Chamber of Deputies and the public service. As a compromise, the creation of a Senate with sectarian representation is proposed. This would transform the electoral system to provide a genuine departure from the consociationalism model that existed prior to the civil war. The second reason for controversy about the Taif Agreement is its requirement to disband all militias. This poses an existential threat to Hezbollah and its military influence over Lebanon. As evidenced by the events of 2008 and Tayyouneh in 2021, Hezbollah has no hesitation in using force to protect its interests. International supporters and donors to political parties, particularly those in the West whose normative values align with these proposed changes, could consider making funding arrangements conditional upon progress toward these two objectives.

In the economic sphere, the Miqati government – currently in caretaker mode in the absence of a new president – must take steps to secure more funding to improve the immediate economic outlook and, equally, improve service provision on the ground. Foreign currency reserves need to be stabilized and the BDL audited, possibly by an international team, to ensure increased transparency. Unlike other moments in Lebanon's history, when the state has taken a backseat and allowed the private sector to drive economic stimulus, this time around, the state should chart a course for national economic stimulus and poverty assuagement that directs any private sector contributions to where they are needed most. Public debt restructuring is necessary, including reforms to the banking sector. Monetary reform is also required to unify the extant multiple exchange rates. Furthermore, restructuring and downsizing the public sector and its assets, including the Electricité du Liban (EDL), should be prioritized.