



**Reconstruction Survey:  
The Political Economy of Corruption in Post-War  
Lebanon**

Lebanon 2007

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## **Lebanese Transparency Association**

Realizing the unacceptable levels corruption has reached in Lebanon, and the necessity to act against it, a group of individuals joined forces to found the Lebanese Transparency Association (LTA), in May 1999. The association was the first Lebanese non-governmental organization specialized in promoting transparency and fighting corruption. In the midst of public quarrels among political figures and daily exchanges of corruption accusations, the founders of LTA, who are business people, academics, economists, lawyers and intellectuals, believed that a more constructive way to curb corruption would be through civil society. All of them were stakeholders in the cause of limiting corruption, and they all had the same concerns about national interests at stake in such a venture. The effects of corruption on the state and society had taken dimensions that would not permit a citizen to escape its detrimental repercussions.

The formation of LTA coincided with an international tendency to support national anti-corruption institutions and activities. A leading organization in this field was Transparency International (TI); an international NGO specialized in promoting transparency all over the world. Contact between TI and LTA was initiated at LTA's embryonic stage, and cooperation is continuous on various levels. As TI's Lebanese representative, LTA is provided with TI's technical or knowledge support according to LTA's need and TI's experience. LTA follows and is guided by the values of democracy, participation and transparency in its internal functioning just as in the norms it promotes. Since its formation, LTA has increased the base of membership threefold, and strengthened communication and participation among the members significantly. The board holds, on a regular basis, open meetings for all the members, in addition to occasional general assembly meetings to discuss and decide the general guidelines of LTA's strategy.

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Tiri is an international NGO based in London that partners with civil society, governments, and business to create networks of committed change agents dedicated to strategic integrity reform. Tiri is an incubator and facilitates innovative reforms and provides a critical learning platform to disseminate cutting-edge experiences.

This paper is part of a series of eight studies of post-war reconstruction countries commissioned by Tiri and funded by the Norwegian Ministry for Foreign Affairs, the Foundation Open Society Institute and the Canadian International Development Agency.

All studies are accessible on [www.tiri.org](http://www.tiri.org) Eight local policy centres undertook research using a shared terms of reference. The countries covered are Afghanistan, Bosnia Herzegovina, Kosovo, Lebanon, Mozambique, Palestine, Sierra Leone, Timor Leste. The research is the basis for an advocacy and monitoring agenda to promote integrity in reconstruction both within the eight countries and internationally. Together, these groups form the Network for Integrity in Reconstruction (NIR).

All material contained in this survey was believed to be accurate as of 3 January 2007. Every effort has been made to verify the information contained herein, including allegation. Nevertheless, Tiri does not accept the responsibility for the consequences of the use of this information for other purposes or in other contexts.



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## Reconstruction Survey

### The Political Economy of Corruption in Post-War Lebanon<sup>1</sup>

In a society of amoral familists, no one will further the interest of the group or community except as it is to his private advantage to do so. In other words, the hope of material gain in the short-run will be only motive for concern with public affairs. There are few checks on officials, for checking on officials will be the business of other officials only.<sup>2</sup>

#### 1. Introduction

Writing in the 1920s, the father of the Lebanese constitution, Michel Chiha, envisaged Lebanon as an association of Christian and Muslim communities living together in a spirit of respect and cooperation. Chiha also argued that the viability of the Lebanese state depended on the maintenance of traditional relationships.<sup>3</sup> Given his capacity back then as the secretary of the drafting committee of the Lebanese constitution, Chiha made sure that a framework for these traditional relationships would be included in the constitution. At the same time, he believed that there is a distinct Lebanese character and that Lebanon is destined for trade and to serve as a bridge between East and West.<sup>4</sup> Chiha was not a typical ideologue and thinker; he was at the same time a successful banker. His bank, one of the oldest in Lebanon, is still in operation.

This digression into Michel Chiha's work and ideas is useful as it can help us identify some of the contradictions that Lebanon represents: Lebanon is a confessional country accommodating two main religions, Islam and Christianity, and is constrained by these pre-modern forms of ruling especially when we define confessionalism as an "institutionalized separatism on a sectarian basis in the parliament, cabinet, and administration."<sup>5</sup> However, what is frequently ignored is the fact that confessionalism generally tends to distort forms of association and prevents the establishment of modern networks. In other words, in confessional states modern forms of association which are based on either ideology or socio-economic factors are always overridden by primordial ties or forms of allegiance. In Lebanon, modernization, or the transformation of the local elite into national actors and the adaptation to new factors of production do not necessarily threaten the primordial ties of family, village, and

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<sup>1</sup> This paper was written by Dr. Khalil Gebara the Co-executive Director of the Lebanese Transparency Association (LTA) with research support from Peita Davis and Gaelle Kibranian. The opinions in this paper are for the author and do not reflect necessarily the opinions of LTA.

<sup>2</sup> E. C. Banfield, "The Moral Basis of a Backward Society," in *Political Corruption*, ed. A. Heidenheimer (New York: Holt, Rinhart and Winston, 1970), 129-131.

<sup>3</sup> Kamal Salibi, "The Lebanese Identity," *Journal of Contemporary History*, Vol 6 No. 1 pp. 76-86

<sup>4</sup> Michael Young, "Two Faces of Janus: Post-War Lebanon and its Reconstruction, Middle East Report No. 209, pp. 4-8

<sup>5</sup> See Michael Hudson, "Democracy and Social Mobilization in Lebanese Politics," *Comparative Politics* 1 (January 1969), p. 251.

sect.<sup>6</sup> At the same time, Lebanon is a modern country ruled by “modern institutions” such as the parliament and the executive branch of the government. As Samir Khalaf has pointed out: “outwardly (Lebanon) appears to be bolstered by liberal and democratic traditions, yet Lebanon hardly possesses any of the political instruments of a civil polity.”<sup>7</sup> Finally, Lebanon is a bridge between East and West, a country that needs to rely on services and trade, where businessmen and bankers are also ideologues and philosophers, and where the boundaries between public and private spheres are blurred. Maybe no one was able to capture this image of Lebanon better than the imminent historian, Albert Hourani, who dubbed Lebanon “the Merchant Republic.”<sup>8</sup>

Today, the entrenched corruption in Lebanese politics and public institutions has been identified as one of the main causes of stunted development and limited growth. The use of public funds for private means, clientalism, kickbacks, and abuse of power and influence for financial gain are crippling Lebanon’s ability to recover from fifteen years of civil war. The sectarian mentality and the factionalised government have allowed more opportunities for corruption to be institutionalised in the functioning of Lebanese society and politics. This phenomenon is believed to be driving away investors, hampering the development of a Lebanese identity, and preventing Lebanon from making use of its abundant skills and human capital.<sup>9</sup>

Empirical data on corruption and the perceived corruption in Lebanon suggests that the country is indeed in trouble. According to the Transparency International Corruption Perception Index 2006 which ranks countries in terms of the degree to which corruption is perceived to exist amongst public officials and politicians, Lebanon received a score of 3.6 out of 10.<sup>10</sup> Additionally, according to the World Bank Governance Data of 2005, Lebanon scored 44.8 percent for control of corruption.<sup>11</sup> - Also, a 2001 report by the UN Office of Drugs and Crime stated that 43 percent of Lebanese companies “frequently” paid bribes and 40 percent “sometimes did.”<sup>12</sup> Finally, a 1995 World Bank study among Lebanese expatriates concluded that “there is a perception that corruption has become institutionalised in networks of protection, beyond the law, for self-dealing, bribes and the bartering of favours and influence.”<sup>13</sup>

This paper is an attempt to survey the nature, causes, causequences and mechanisms of corruption in post-war Lebanon. Although its main focus is corruption in

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<sup>6</sup> Samir Khalaf, *Lebanon's Predicament*, (NY: Columbia University Press, 1987).

<sup>7</sup> Samir Khalaf, “On Roots and Routes: The Reassertion of Primordial Loyalties”, in Samir Khalaf and Nawaf Salam ed. *Lebanon in Limbo*, (Baden-Baden: Nomos Verlagsgesellschaft, 2003), p. 107.

<sup>8</sup> Cited in Fawaz Traboulsi, “*Silat Bila Wasel: Michel Chiha wa Al Idologiya Al Lubnaniya*,” (Beirut: Dar Al Saqi, 1999), p. 190.

<sup>9</sup> See for example, Kamal Dib, *Warlords and Merchants: The Lebanese Business and Political Establishment*, (Reading: Ithaca, 2004).

<sup>10</sup> [www.transparency.org/cpi](http://www.transparency.org/cpi)

<sup>11</sup> See, [www.worldbank.org/wbi/governance/data](http://www.worldbank.org/wbi/governance/data)

<sup>12</sup> Peter Speetjens, “Corruption: How Bad Was It?” *Executive Magazine*, October 2005, Number 76

<sup>13</sup> *Ibid*,

reconstruction, it will argue that corruption is mainly the result of the consensus that was reached to end the civil war which led to the revival of the oral communal agreement that was agreed on the eve of Independence back in 1943. It will shed some light on the role of the Syrian regime in corruption in post-war Lebanon. To make all these arguments clearer, this chapter will give, firstly, an overview of the nature of the Lebanese state and will then proceed to describe corruption before and during the civil war.

## 2. Pre-War Lebanon

Corruption is by no means a new phenomenon in Lebanon. The pre-war political ruling elite practiced top-down patron-client relationships that were based on forms of patronage-related and bureaucratic corruption. Theodore Hanf describes this as a form of “bargain with influence” or an exchange of favours either financial or non-financial. This type of corruption is, according to Hanf, “like putting oil into machinery, it makes it run more smoothly.”<sup>14</sup>

Corruption in this case could be defined as a “primitive way of conceptualizing rent-seeking.”<sup>15</sup> If corruption is the primitive version of rent-seeking, lobbying could be considered then the modern version.

This definition of corruption as the primitive version of rent-seeking derives from Paul Hutchcroft. According to Hutchcroft, rents are created “when the state restricts the operations of the market.”<sup>16</sup> More importantly, however, when the state restricts the operations of the market and creates different forms of rents, people start to compete to gain access to these rents. Hence rent-seeking could be defined simply as the “fight for privilege.”<sup>17</sup> In other words, rent-seeking makes a statement about the nature of government intervention in the domestic economy and is positively related to the size of the public sector.<sup>18</sup> When governments intervene in the domestic economy and expand their public sector, they distort the markets and encourage people to compete and to benefit from these distortions. Finally, people compete for these distortions either legally by lobbying or illegally through bribes.

Corruption, however, should not be discussed simply in the abstract. It should instead be analyzed within the general context of a “regime’s political dynamics.”<sup>19</sup> The Lebanese political system is an elitist system. Also, Lebanon is a very clear example of a consociational democracy.

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<sup>14</sup> Conversation with Theodor Hanf, Beirut: September 2005.

<sup>15</sup> Paul Hutchcroft, “The Politics of Privilege: Assessing the Impact of Rents, Corruption, and Clientelism on Third World Development”, *Political Studies*, XLV (1997) 639-658 (p. 642).

<sup>16</sup> Paul Hutchcroft, “The Politics of Privilege: Assessing the Impact of Rents, Corruption, and Clientelism in Third World Development”, *Political Studies*, XLV (1997) 639-658 (p. 640).

<sup>17</sup> Ibid.

<sup>18</sup> J. M Buchanan, “Rent Seeking and Profit Seeking” in *Toward a Theory of the Rent-Seeking Society* ed. by. M. Buchanan and R. D Tollison (College Station, TX: Texas A&M Press, 1980), p. 9.

<sup>19</sup> Ibid, p. 644.

Consociational democracy is defined as a system of ruling by “elite cartel designed to turn a democracy with a fragmented political culture into a stable democracy”.<sup>20</sup> In such a narrative, what makes the system stable is “the behaviour of the political elites”.<sup>21</sup> According to Lijphart, there are four conditions that a country has to fulfil in order to be classified as a consociational democracy:

- 1- Elites have the ability to accommodate the interests and demands of sub-groups;
- 2- Elites have the ability to bypass cleavages and to coordinate with other elites representing rival sub-groups;
- 3- Elites should be committed to the maintenance of the system;
- 4- Elites should be aware of the impacts of political fragmentation.<sup>22</sup>

In other words, in Lebanon, like other “consociational democracies”, what is important is an elite consensus or an elite cartel and cooperation among the members. As a result, one can describe the political system of Lebanon as one of power-sharing between the elites of different confessional communities.

Hence, corruption might not only be tolerated but encouraged as a crucial element in the informal and formal systems of patronage networks, which are an important means of political control and mass tranquillity especially when one of the main duties of the elites is to preserve the highest possible influence over their constituencies.

### **3. The War Years**

One can present many arguments for the breakdown of the Lebanese state and the eruption of violence in 1975. In this context, the Lebanese conflict could be seen as the war of others on Lebanese soil. Lebanon became the battleground between the two superpowers at that time (USA and USSR). Lebanon also became the place where Arab rivalries could be settled. More importantly, Lebanon became the place where the Arab-Israeli conflict could be contained and managed especially with the presence of Palestinian refugees and the Palestinian Liberation Organization. Another argument for the eruption of violence in 1975 is the diminishing role of elites as providers of services and their inability to preserve their influence over the masses.<sup>23</sup> They simply lost their authority to radical political parties and to foreign organizations. When these elites lost their bargaining power, they lost their influence in the streets and this led to the polarization of different elites and such polarization was translated into violence. As it has been argued earlier, one of the main conditions for a stable consociational democracy is the ability of the elite to control the masses on the one hand and elite cooperation on the other.

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<sup>20</sup> See, Arend Lijphart, “Consociational Democracy”, *World Politics* 21 (January 1969), 207-222.

<sup>21</sup> *Ibid*, p. 211.

<sup>22</sup> *Ibid*, p. 216.

<sup>23</sup> See, Michael Johnson, *Class and Client in Beirut: The Sunni Muslim Community and the Lebanese State, 1840-1985* (London and Atlantic Highlands, Ithaca, 1986).

The breakdown of normal social conduct and moral values brought about by the civil war provided more opportunities for destructively corrupt behaviour. Under these extreme conditions, corruption became the rule rather than the exception. Corruption of this magnitude has now taken root in the political economy of the Lebanese post-war environment.

To understand how this trend developed, it is necessary to revisit the civil war and analyse the behaviour of the warlords who rose to power during that time. Elizabeth Picard has produced extensive work on the birth of corruption during the civil war, and I will draw from her work for my analysis. Picard states that through networks of social organization, coercion and predatory behaviour, militias created the economic and institutional framework to create “ministates” in their areas of control. Militia groups acquired prestige from the communities based on their control of economic resources as well as their military might, and economic management was quickly perceived as an intrinsic part of the war.<sup>24</sup> In this respect, the militias developed their own economies, through coercion, racketeering, drug production, the black market, taxing etc., which ran irrespective of the failing Lebanese state.<sup>25</sup> This criminalisation of the Lebanese economy effectively rendered the state administration obsolete – militia control over resources and their power to intimidate meant that the Lebanese people were totally dependent on them for all activities.

Some militias even owned their own ports, airport, services, taxes, and taxation systems.<sup>26</sup> In this context, Fawwaz Traboulsi describes Lebanon after 1983 as a country with “seventeen sects, a dozen cantons, some twenty (illegal) ports and dozens of armed organizations.”<sup>27</sup> They even initiated process of state building inside their cantons when they established their own public sectors and courts.<sup>28</sup> The increasing role of patronage and clientelism in the redistribution of militia wealth solidified the death of the state as provider of services and the responsible authority on the quality of public goods.

#### **4. Post-War Lebanon**

The Lebanese civil war ended in October 1990 after a quick military operation that led to the surrender of General Michel Aoun who was leading the last pocket of resistance against the constitutional changes that were agreed on a year before in the town of Taif, Saudi Arabia. (General Aoun went into exile in 1990 and was not allowed back until May 2005). It is worth noting in this context that the Taif Agreement, known as the National Accord Agreement, was a deal reached by the

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<sup>24</sup> Elisabeth Picard, *Lebanon, a shattered country : myths and realities of the wars in Lebanon*, (New York : Holmes & Meier, 2002), p. 297

<sup>25</sup> Ibid.

<sup>26</sup> See, Charles Adwan, “Corruption in Reconstruction: The Cost of National Consensus in Post-War Lebanon” in Daniel Large ed. *Corruption in Post-War Reconstruction: Confronting the Vicious Circle*, (LTA: Beirut, 2005)

<sup>27</sup> Fawwaz Traboulsi, *A History of Modern Lebanon*, (London: Pluto Press, 2007), p. 228.

<sup>28</sup> Ibid, pp: 220-238.

remaining members of the 1972 parliament and was sponsored by Saudi Arabia and Syria with the backing of the United States of America. This agreement readjusted the confessional distribution by giving more power to the Muslim communities and institutionalised a balanced power-sharing formula. This agreement is an updated version of the national pact which was an unwritten agreement that was reached in 1943 between the President of the Republic and the Prime Minister. On August 21, 1990, the Lebanese Parliament approved 31 constitutional amendments that were originally introduced in the Taif agreement.<sup>29</sup>

However, this agreement was reached by Lebanese Parliamentarians elected in 1972 and not by those who held the most sway in the streets: leaders of the militias. Hence, the most urgent task after the signing of this agreement and the exile of General Aoun was integrating the warlords into the mainstream Lebanese political establishment.

In the early post-war years, there was a gradual restoration of state sovereignty, but one that maintained the political privileges of the militias. All militias with the exception of Hezbollah (which moved its militia, the Islamic Resistance, to the Lebanese-Israeli front) gave up their arms. The constituencies built by the warlords were considered important for the peace-building process. Thus, all warlords were granted general amnesty from war crimes and many took their place as part of the post-war leadership.<sup>30</sup> According to Leenders, ex-militia leaders controlled 39 cabinet posts between 1989 and 2003 and their share of the core posts was 22%.<sup>31</sup> The parliamentary elections that took place in summer 1992 institutionalised the position and the role of the former warlords or militia leaders. As Paul Salem argues, “in 1992 elections, militia leaders who had gained power during the war were the main winners.”<sup>32</sup>

The breakdown of the militia economy soon led to the appropriation of the state economy through a system that made room for a culture of corruption to manifest itself. As Picard states,

having become ministers, parliamentarian, and top-ranked civil servants, [the warlords] established their influence over economic matters in general and over the vast project of national reconstruction in particular. Their control over public and private foreign aid gave them exceptional leverage to broaden their clientele and thus to renew their own legitimacy.<sup>33</sup>

The disintegration of the state and the rise of factionalist “mini-states” during the war, initiated the breakdown of the connection between the state (which could not protect

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<sup>29</sup> For more information on the Taif agreement and the related constitutional amendments see: Hassan Krayem, “The Lebanese Civil War and the Taif Agreement,” (AUB: unpublished paper).

<sup>30</sup> Adwan, “Corruption in Reconstruction”, p. 63.

<sup>31</sup> See, Reinoud Leenders, “In Search of the State: The Politics of Corruption in Post-War Lebanon”, (Unpublished Paper: 2003), p. 5.

<sup>32</sup> See Paul Salem, “Skirting Democracy: Lebanon’s 1996 Elections and Beyond,” Middle East Report, Spring 1997.

<sup>33</sup> Picard, p.317.

them) and the community. This was further compounded in the post-war period when former warlords became part of the legitimate state system, and often maintained their (usually confessional) wartime followers and supporters. Gradually, the government became the agent of individual and sectarian financial interests rather than being accountable to citizens as a whole.<sup>34</sup>

## 5. Reconstructing Lebanon

In September 2004, the then Prime Minister of Lebanon, the late Rafik Hariri, stood in front of many of the world's leaders and received the Special Citation of the UN-Habitat Scroll of Honour for his work in the reconstruction of post-war Lebanon.<sup>35</sup> The Executive Director of UN-Habitat described the Lebanese experience in rebuilding the country as unique and compared the reconstruction following the war to Europe's reconstruction after World War II.<sup>36</sup> For many, the reconstruction program of Lebanon and the resurrection of downtown Beirut as a financial, commercial and touristic center was considered a major success story.

The Lebanese civil war lasted for around 15 years. It started in April 1975 and ended in October 1990. In other words the Lebanese war lasted 186 months. According to data collected by Koubi, the total number of battle deaths were 131,000; the battle deaths per 100,000 were 4,366; and the battle deaths per month were 705.<sup>37</sup> It is also estimated that the GDP per capita of 1990 was, in real terms, around one third of the GDP per capita of 1974, the physical assets destroyed were around \$25 billion, and 48 percent of the population was housed in dwellings constructed on illegally occupied land or buildings.<sup>38</sup>

Given the long duration of the Lebanese Civil War, many attempts took place to rebuild the country especially during relative peace times. These attempts failed mainly because of renewed violence. In 1977, after the end of what is known as the "Two Years War", the Lebanese government established the Council for Development and Reconstruction (CDR). The council's main mandate was to prepare and implement a comprehensive reconstruction plan. In December 1978, the CDR produced a \$7.4 billion reconstruction plan designed to rebuild the infrastructure (mainly in Beirut and its suburbs). In November 1979 and in a summit in Tunis, the Arab States agreed to provide Lebanon with \$2 billion in aid over a five-year period. This attempt was interrupted with the Israeli invasion of 1982 which led to a 2 month encircling of West-Beirut. When a new president was elected in 1982, after the withdrawal of the Israeli forces from West-Beirut, CDR proposed a \$16.3 billion reconstruction program over a nine-year period. Once again, this attempt was

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<sup>34</sup> Ibid.

<sup>35</sup> See UN Habitat Information Center: [www.unhabitat.org](http://www.unhabitat.org)

<sup>36</sup> Ibid.

<sup>37</sup> Cited in Dibeh, Ghassan, "The Political Economy of Postwar Reconstruction in Lebanon," Research Paper UNU-WIDER, p. 1.

<sup>38</sup> Ibid.

interrupted after the renewal of violence in 1984 that led to the total collapse of the Lebanese state by 1988.

In 1991, the Lebanese government headed by Omar Karami revived the CDR which commissioned Bechtel International and Dar al Hadasah to prepare a three-year plan to rebuild Lebanon's infrastructure.<sup>39</sup> This plan, dubbed the National Emergency Reconstruction Program (NERP) was presented during a donors' meeting convened by the World Bank that took place in Paris in December 1991. However, little progress was made and no financial resources were secured for this program. The funds that were received from the World Bank and the European Union (it was called back then the Commission of the European Communities) were spent on the damage assessment reports.<sup>40</sup> In May 1992, Karami was forced to resign after severe economic and financial crises and a general strike that was led by the Confederation of Trade Unions.

There are many explanations for the early failure in launching the NERP. For one, the Karami government never showed commitment to a comprehensive reconstruction program. Its main focus was to integrate the warlords into the political process. At the same time, the rich Arab countries were getting out of a very costly war (the second Gulf War) and the United States and other countries started to focus on the Madrid peace process between the Arabs and the Israelis.

The late Rafik Hariri became Prime Minister for the first time after the first parliamentary elections after the war in 1992. In his first speech to the Lebanese parliament, Hariri presented his government's agenda and stressed the need to rebuild the infrastructure, to ensure macroeconomic stability and to introduce institutional reforms. In line with this commitment, the CDR presented a new plan for the reconstruction of Lebanon that was called Horizon 2000. Horizon 2000 was a thirteen-year plan from 1995 to 2007, where more than \$11 billion would be spent on public and social infrastructure.<sup>41</sup>

The table below shows the distribution by sector in the original Horizon 2000 plan.

| <b>Sector</b>           | <b>Share</b> |
|-------------------------|--------------|
| Physical Infrastructure | 37           |
| Social Infrastructure   | 25           |
| Public Services         | 22           |
| Productive Sectors      | 8            |
| State Apparatus         | 8            |

Source: Dibeh, p.4 -

<sup>39</sup> A Conversation with a former CDR official.

<sup>40</sup> Ibid.

<sup>41</sup> For more information, see Samir Makdissi, *The Lessons of Lebanon: the Economics of War and Development* (London: I.B Tauris, 2004).

It is worth mentioning that Horizon 2000 was not solely for physical reconstruction but aimed also to “convince investors that Lebanon re-emerged as a stable location for big finance and capital.”<sup>42</sup>

The total value of contracts signed by CDR between 1992 and the end of 2004 was about \$7.4 billion.<sup>43</sup> The projects completed by the end of 2004 were worth \$5.250 billion whereas the projects underway by early 2005 were worth \$2.150 billion.

The table below shows the distribution by sector of these contracts.

| Sector                                | Share |
|---------------------------------------|-------|
| Electricity                           | 19    |
| Roads, Highways, and Public Transport | 16.8  |
| Water Supply                          | 12.5  |
| Telecommunications and Post           | 10.6  |
| Solid Waste                           | 12.5  |
| Ports and Airport                     | 9.2   |
| Education, and Sports Facilities      | 8.8   |
| Public Health                         | 3.5   |
| Other Sectors                         | 7.1   |

Source: CDR Report July 2005.

As mentioned above, the CDR anticipated in 1992 that Horizon 2000 would cost around \$11.7 billion. The CDR expected three main sources to finance this project. The first and most significant source was believed to be budget surpluses that were expected to cover around 47 percent of the cost. The second source was borrowing from domestic and international markets while the third source was grants from Arab countries, foreign countries and international organizations.<sup>44</sup>

However, as early as 1996, it became obvious that the Lebanese economy would not grow as was expected. In 1994, the Lebanese economy grew at a rate of eight percent. This, however, was short-lived. In 1997, the economy grew at 3 percent and Lebanon entered into a recession by early 2000. Hence, the Lebanese government changed its strategy and started to rely more on borrowing. At the beginning, the government relied on borrowing from domestic markets. In the 1990s, the Lebanese government issued Treasury Bills in Lebanese currency (T-bills) with an interest as high as 35 percent.<sup>45</sup> Since the end of the 1990s, the Lebanese government started to rely more and more on international borrowing, hoping to save on interest rate payments. As a

<sup>42</sup> Volker Perthes, “Myths and Money,” MERIP, Spring 1997, p. 17.

<sup>43</sup> CDR Report July 2005.

<sup>44</sup> For more information, see Tom Najm, *Lebanon’s Renaissance: The Political Economy of Reconstruction*, (Ithaca: Ithaca Press, 2000).

<sup>45</sup> For more information on the Lebanese T-Bills, see, Roger Nasnas, *Emerging Lebanon: Towards an Economic and Social Vision*, (Beirut: Dar Annahar, 2007).

result of this borrowing spree, public debt rose from \$2 billion in 1992 to \$15 billion in 1998 and to \$38 billion in 2004.<sup>46</sup>-

With stagnate economic growth and a public debt amounting to 170 percent of GDP, an international donors conference, Paris II, was held in November 2002 to help Lebanon manage its economic crisis. During the conference, the Lebanese government submitted an economic program of fiscal, financial and privatization reforms that would allay the public debt. Fiscal modifications included reducing both the current and capital expenditures and increasing the tax revenue, while financial reforms consisted of restructuring the public debt. Furthermore, the government renewed its commitment to privatization by introducing a privatization program revolving around the telecommunications and power sectors, the revenue of which would be used to pay back the staggering \$36 billion debt.<sup>47</sup> In order for the program to reach its goals, the international community was asked to help with the debt situation. A total of \$4.3 billion in financial aid was pledged by the conference donors—Malaysia, Oman, United Arab Emirates, Kuwait, Saudi Arabia Qatar and France—and, in a measure expected to engender around \$4 billion in interest free credit, the program put forth by the Lebanese government stipulates that banks would forgo all interest that amounts to ten percent of their deposit base.<sup>48</sup>

Moreover, many countries and institutions provided financial support for the reconstruction program of the Lebanese government in the form of grants and soft loans.

The following table shows the funders and the amounts they contributed.

| <b>Source</b>   | <b>Amount</b>  |
|---|----------------|
| Abu Dhabi Fund for Development                        | \$25 million   |
| Arab Fund for Economic and Social Development         | \$330 million  |
| Belgium   | \$1.7 million  |
| European Union  | \$77.8 million |
| European Investment Bank                              | \$412 million  |
| France  | \$217 million  |
| Germany   | \$74 million   |
| International Bank for Reconstruction and Development | \$486 million  |
| Islamic Development Bank                              | \$92 million   |
| International Fund for Agricultural Development       | \$20 million   |
| Italy   | \$339 million  |
| Japan   | \$186 million  |
| Kuwait Fund for Arab Economic Development             | \$200 million  |
| Kuwait  | \$43 million   |

<sup>46</sup> See official Lebanese public debt data, [www.finance.gov.lb](http://www.finance.gov.lb).

<sup>47</sup> For more information on Paris II conference, see World Bank. 2003. *Lebanon Quarterly Update Fall 2003*

<sup>48</sup> Ibid.

|  |               |
|--|---------------|
| Mediterranean Environmental Technical Assistance | \$37 million  |
| OPEC   | \$20 million  |
| Oman   | \$15 million  |
| Qatar  | \$1 million   |
| Saudi Arabia                                     | \$130 million |
| United Nations                                   | \$29 million  |
| Guaranteed Bank Loans                            | \$148 million |

Source: CDR July 2005 Report

## **6. Private Sector Involvement in the Reconstruction Process**

Maybe one of the most well-known private post-war reconstruction sites after World War II is downtown Beirut or the Beirut Central District. Downtown Beirut served as a demarcation line and front during the fifteen-year war and was, as a result, completely destroyed. In 1991, the Lebanese Parliament passed Law 117 which stipulated that the CDR could set up a private stock holding company with the main purpose of reconstructing and renovating the Central District of Beirut. The company became known as Solidere (Lebanese Company for the Development and Reconstruction of Beirut Central District).

The Reconstruction of the Beirut Central District was considered to be mainly a precondition for economic growth from which all Lebanese would benefit. Still, what was unclear was “whether Beirut [would] ever regain its position as the middle agent and the broker between the West and the Middle East.”<sup>49</sup>

The cost of rebuilding the Central District was estimated at \$4.2 billion.<sup>50</sup> According to Law 117, the property rights of the original owners and tenants of downtown Beirut would be transferred to Solidere, and the owners and tenants would receive in return shares in the company that corresponded with the value of their properties.<sup>51</sup> The site covered an area of 191 hectares (472 acres); 118 hectares (292 acres) constituted the traditional city center, in addition to 73 new hectares (180 acres) which were reclaimed from the sea. Solidere started its work in 1994 and by 2004 the first phase of the project was completed. It encompassed the rebuilding of major traditional and historical sites, the restoration of infrastructure, marine works and new projects such as hotels, malls and residential buildings.

## **7. The Involvement of the Lebanese Banks in the Reconstruction Process**

Prior to the Lebanese civil war that started in April 1975, the banking sector in Lebanon played a pivotal role and contributed greatly to the economic boom that Lebanese was witnessing. As Stewart argues, “Swiss-style banking regulations

<sup>49</sup> See, Dana Stewart, “Economic Recovery and Reconstruction in Postwar Beirut,” *Geographical Review*, Vol. 86, No. 4 pp. 487-504.

<sup>50</sup> See Solidere website: [www.solidere.com](http://www.solidere.com)

<sup>51</sup> Form more information on Solidere see, Reinoud Leenders, “The Politics of Corruption in Post-War Lebanon,” (PhD Thesis, SOAS University, 2004), pp. 141-153.

encouraged the development of a large financial sector.”<sup>52</sup> The Lebanese private banks succeeded in surviving the Lebanese war especially by expanding outside Lebanon to countries with significant Lebanese emigrant communities. Their involvement in the reconstruction process was simply through investing in the T-bills issued by the Lebanese government. Actually, in this context, the Horizon 2000 plan stated that thirteen percent of the plan’s cost for the first phase (rehabilitation period 1993-1995) would be secured from internal borrowing.<sup>53</sup> This proved to be highly profitable to the Lebanese banks but at the same time, it led to a lack of financing to the private sector due mainly to high interest rates (crowding-out effects).

## **8. The Involvement of foreign companies in the Reconstruction Process**

Many donor countries used their grants as leverage to ensure that their companies received contracts in the reconstruction program. The Italian government for example, a major contributor to Horizon 2000, had a clause in its agreements with the Lebanese government stating that financing would be limited to contracts awarded to Italian firms.<sup>54</sup> In 1992, the Lebanese parliament approved a financial protocol with the Italian government that stated that the Italian firms would always be favoured as long as the bids were competitive.<sup>55</sup> One can make similar arguments for French and Saudi financing.

## **9. Corruption in Post-War Lebanon**

As mentioned earlier, the Taif Agreement restored the status quo by giving more power to the Muslim communities. It did not, however, touch the confessional nature of the Lebanese state. On the contrary this agreement institutionalised the confessional nature of the Lebanese state. For the drafters of the Taif Agreement, the de-confessionalisation of the Lebanese state should take place at a later stage. Given that the Taif Agreement was signed by members of parliaments, the most urgent task in post-war Lebanon was to integrate the warlords who were the real powerbrokers.

As a result and directly after 1990, national unity governments were formed that were at the same time confessionally-balanced and representative of the major powerbrokers in Lebanon. Each government had to include representatives of the six main confessional communities in Lebanon. Most of the time these governments encompassed thirty ministers representing different and fragmented parties, factions and confessions. These extremely large governments were heterogeneous and it was hard to reach compromises on many issues. At the same time, the position of the Prime Minister, the ministers, and the Speaker of Parliament had been reinforced. This state of affairs led to the emergence of an alternative arrangement called the Troika which was made up of the President, Prime Minister and Head of Parliament.

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<sup>52</sup> Stewart, “Economic Recovery and Reconstruction in post-war Beirut”, p. 489.

<sup>53</sup> See, Maroun Kisirwani, “The Rehabilitation and Reconstruction of Lebanon,” in Paul White and William Logan ed. *Remaking the Middle East*, (Oxford, UK: BERG).

<sup>54</sup> See, Najm *Lebanon’s Renaissance*.

<sup>55</sup> MEED, (23 April 1993).

The outcome of this new arrangement, according to Leenders, followed the “logic of partitioning the spoils of public office, privileges and resources.”<sup>56</sup>

The Troika arrangement was strengthened after the 1992 Lebanese legislative elections. These elections institutionalised the new political elite, which was an alliance of former warlords and new businessmen. The major Christian parties boycotted these elections; as a result, Lebanon witnessed one of the lowest turnouts in its history. The legitimacy of the post-war political elite was then in doubt and the Troika system, which bypassed the institutions, was reinforced because it helped in avoiding deadlocks.

If national consensus was the main condition or means to protect peace in Lebanon and ensure stability, then consensus became the end itself and a rule to be applied in every aspect of the Lebanese state and public institutions. The Troika members bargained very strongly for their share in the system, especially when it came to hiring public officials, and promoting military officials. As a result, the confession, and specifically the representative of the confession in the Troika arrangement, became the mediator between the citizen and the state. Corruption became one of the means to maintain this consensus and it became tolerated as long as it served the preservation of peace. The resources became the means in which the members of the Lebanese political elite used to satisfy their communities and to ensure the latter’s loyalty. As it will be argued below, when the Troika reached a deadlock, the Syrian regime stepped in to ensure a compromise.

What is interesting about this bargain system is that the members of the Troika divided between themselves the state apparatus. Each member became the major decision-maker for his designated share of the state apparatus. Here it is worth noting that each member of the Troika respected the other’s sphere of influence.<sup>57</sup> When one decided to increase his share, the country ended up facing a political and institutional crisis that usually required a quick intervention from the Syrian regime. As a result of this arrangement, the late Prime Minister Hariri became the sole decision-maker on matters related to the economy and most importantly the reconstruction process, whereas the Speaker of Parliament was in charge of the reconstruction and relief program for the South of Lebanon and the President of the Republic, Elias Hrawi, had special interests in the oil and gas sector.<sup>58</sup>

The institutionalised corruption in the post-war environment shaped a new set of values and behaviour that fortified the dangerously sectarian nature of the country. Mohammed Mattar believes that “sectarianism and patriotism are of their essence mutually exclusive, and the claim that they are reconcilable is far from the truth.”<sup>59</sup> With government providing less and less for the people, the legitimacy of the

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<sup>56</sup> Leenders, p. 186.

<sup>57</sup> Leenders, 187.

<sup>58</sup> Ibid.

<sup>59</sup> Mohammed Mattar, “On Corruption,” in Nawaf Salam, ed. *Options for Lebanon* (Oxford: Center for Lebanese Studies, 2004), p. 181.

administration increasingly diminished. With the post-war era witnessing a scramble for confessional control of state resources, public funds, and the appropriation of ministries, it became public knowledge that revenue generated would benefit individual communities rather than the state at large.<sup>60</sup>

If a nation of people feels more connected to their sect than the state, it is unlikely that civil responsibilities (like tax paying) will be taken very seriously. In a political environment that is dominated by sectarianism as well militia or warlords' mentality, we see evidence of a perpetuation of corrupt behaviour that becomes the normal way of doing business. This cycle soon leads to a culture of corruption and becomes the status quo.<sup>61</sup> The institutionalisation of corruption in the post-war era has crippled Lebanon's ability to financially recover from conflict and has created a loss of public confidence in the state. This in turn has further intensified dependence on the sect and has seen a return to the pre-modern feudalist loyalties and behaviour.

This Troika arrangement lasted from 1991 until 1998. After the elections of President Emile Lahoud in 1998, an attempt was made to abolish this arrangement. Yet the return of the late Prime Minister Hariri to power in 2000, after a victory during the legislative elections, forced the President of the Republic to reinstall the Troika arrangement. For four years the country witnessed continuous quarrels between the Troika members and continuous attempts to increase the sphere of influence at the expense of other members of the Troika. These quarrels led to political and institutional deadlock, contributed to economic crises, and interrupted the implementation of the economic, financial and administrative reform to which the Late Prime Minister Hariri had committed during the successful Paris 2 conference.<sup>62</sup>

## **10. The Impact of Syrian Presence in Lebanon**

The Syrian regime did not have significant influence in Lebanon prior to its first military involvement in 1976. Syria entered Lebanon in January 1976 to ensure that the Muslim/Leftist alliance did not destroy the Christian forces. From the first days of its involvement in Lebanon until the withdrawal of the Syrian army in 2005, the Syrian regime always preferred the status quo. The regime was very keen to preserve the consociational democracy system. This system, which required continuous maintenance, gave the Syrian regime the opportunity to prove that it is the only power able to restore order and to preserve peace in Lebanon. In other words, Lebanon was, and continues to be, considered as an opportunity to prove the credentials of the Syrian regime as a regional power.<sup>63</sup> The Syrian army remained in Lebanon until April 2005 even though the Taif agreement stated clearly that " Syria was to redeploy

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<sup>60</sup> Ibid, p. 181.

<sup>61</sup> Ibid, p. 196

<sup>62</sup> See, Khalil Gebara "Beirut Elections: Where Competition Was Impossible In *The 2005 Legislative Elections in Lebanon in Light of Local and Regional Transformation* (Beirut: LCPS, 2006) (in Arabic).

<sup>63</sup> For more detailed information on the nature of the Syrian regime and its relationship with Lebanon, see Khalil Gebara "Authoritarian Rule, Dynastic Succession, and Semi-Rentierism: The Political Economy of Syria Reconsidered" (PhD Thesis, University of Exeter, 2004).

its troops in coordination with the Lebanese authorities two years after the implementation of the constitutional changes.” These constitutional changes were introduced and approved in 1990.”<sup>64</sup>

The main tool that the Syrian regime used to ensure the effective functioning of the Lebanese system was the forcing of competition inside the different Lebanese confessions. One of the shortcomings of the consociational democracy system is that it relies on continuous elite cooperation and could be easily polarized. Hence, competition should not take place within or between confessions. Assigning access to the resources of the state by the Syrians to different Lebanese parties helped in preserving this system and in preventing any politician or political party from securing a monopoly over his confession.

At the same time, many members of the Syrian ruling elite were able to benefit from the different reconstruction projects for their own enrichment and a significant share of their wealth was deposited in the Lebanese commercial banks.<sup>65</sup> These actions were tolerated most of the time by the Syrian president mainly because these members of the Syrian political elite exchanged their loyalty to the head of the state for illicit enrichment.

## **11. Anti-Corruption Efforts**

Even if the effects of corruption were magnified after the end of the civil war, this does not mean that the different anti-corruption initiatives were a post-war novelty in Lebanon. On the contrary, because of the nature of corruption and the fact that it has been structurally embedded in the Lebanese political, social and economic systems, attempts of reforms go back in time to the mandate of the first President after independence, Bishara Al Khoury, who established in 1950 the Court of Accounts to supervise public money.

When Camille Chamoun became president in 1952, he introduced the first illicit wealth draft law. During the reign of President Fouad Chehab (1958-1964) many steps to curb corruption were taken, such as the establishment of the Central Authority for Administrative Reform, the Civil Service Council and the Central Inspection Bureau. Also, during the mandate of Charles Helou (1964-1970) the General Disciplinary Council was established.

After the war, there was a plethora of attempts and initiatives to curb corruption, to reform the public sector and to introduce new legislation. These attempts were initiated by the Lebanese government and by different civil society organizations (CSOs). One can classify these initiatives in 4 categories<sup>66</sup>:

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<sup>64</sup> See, Perthes, “Myths and Money,” p. 17

<sup>65</sup> See, Speetjens, “Corruption: How Bad Was It?”

<sup>66</sup> This classification is based on a survey prepared by Ghia Osseiran for UNDP in July 2004.

- 1- Transparency and Accountability
- 2- Corporate Governance
- 3- Awareness Raising
- 4- Rule of Law

In 1999, the Lebanese parliament enacted the law of illicit wealth. As a result of this law and in theory, bribes and enrichment through fraudulent ways became prohibited. Also, as a consequence of this law, public officials became obliged to submit two statements declaring all their assets, the first upon their appointment and the second upon the termination of their duties. This law has a few flaws. For example, the information should be submitted in a sealed envelop and then stored at the Lebanese Central Bank. The sealed envelop would only be opened if someone made a claim for enrichment against a Member of Parliament, Minister, or public official. Another flaw with this law is that the claimer has to pay 25 million Lebanese Lira (around \$16,000) before the case will be studied and if the claimer is proven wrong he will lose this amount. Since its introduction in 1999 no charges have been pressed against any public official under this law.

Furthermore, the Office of the Minister of State for Administrative Reform (OMSAR) was very active in the reform process, especially in addressing corruption in the public sector and addressing the question of reform in general. In February 2005, the Lebanese Parliament passed an Ombudsman Law. However, the Ombudsman institution has not yet been established.

Another official attempt to fight corruption in Lebanon was the establishment of a National Integrity Steering Committee (NISC) that was supposed to draft a national strategy and outline a work plan to fight corruption in Lebanon. The main proponent of the NISC was The United Nations Center for International Crime Prevention (UNCICP)<sup>67</sup>. UNCIP approached the Lebanese government suggesting the establishment of this committee and the Lebanese Council of Ministers approved its establishment in 2000. However, this committee proved to be short lived and by 2001, the Lebanese government asked the UNCICP to halt the activities of the NISC. Consequently, this committee was suspended indefinitely.

Lebanese CSOs were also active in curbing corruption and promoting transparency and accountability. Lebanon has always had a strong and active civil society. The right to establish an association is guaranteed by Article 13 of the Lebanese constitution and is governed by the Ottoman Law of Associations of 1909 which in turn is based on the French Law of Associations of 1901. The 1909 Law of Associations states clearly that:

- 1- Any core of group of at least 3 individuals can establish an association.
- 2- The association may freely draft its own bylaws, choose its membership, and the members of its internal and executive bodies.

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<sup>67</sup> UNCICP is now called UNODC.

- 3- The association is bound to inform the authorities of its creation and to submit its bylaws, the name of its members and administrative body and to report major changes in its constitution and the change of key positions.

It is very difficult to know the exact number of CSOs in Lebanon especially because the last mapping of these organizations took place in 1979. Maybe the most accurate estimate is that currently in Lebanon there are 3,944 organizations registered.<sup>68</sup> The only civil society organization in Lebanon that was created with the sole purpose of fighting corruption and promoting transparency and accountability in the public and private sectors is the Lebanese Transparency Association (LTA). It was created in 1999 and by 2003 it became the Lebanese chapter of Transparency International (TI). Through its work, LTA has emphasized its focus on access to information, corporate governance, administrative reforms and youth awareness. Another specialized organization is the Lebanese Association for Democratic Elections (LADE) which was created with the purpose of promoting fair, accountable, and democratic elections. Consumers Lebanon Association was established in July 2000 with the objective of raising consumer awareness with respect to sustainable consumption, while initiating and updating legislation for consumer protection. The official number of CSOs working on fighting corruption is hard to obtain. However, LTA is currently involved in a project that has identified 42 CSOs that have, at some point in the last ten years, engaged in at least one project that deals with anti-corruption, good governance, accountability, and/or transparency.

Many international CSOs have also been involved in anti-corruption initiatives in Lebanon. For example, The America-Mideast Educational and Training Services, Inc.(AMIDEAST) has established a program called Transparency and Accountability Grants which aims at assisting civil society associations in raising the level of transparency in all sectors of Lebanese life. The program began in March 2001 and has been extended until 2007. Until now, 92 projects have received grants.

In 1997, one of the most respected Lebanese newspapers, An Nahar, was able to campaign against the then Minister of Oil Resources, Shahe Barsoumian. This campaign, or this breakthrough in investigative journalism as this case is known, contributed to the imprisonment of Barsoumian.<sup>69</sup> An Nahar reports unfolded a scandal and even accused the Ministry of metamorphosing into a fuel station. All charges against Barsoumian were dropped in August 2002.<sup>70</sup>

## 12. Conclusion

This paper is an attempt to investigate the nature of corruption in post-war Lebanon. It also showed that corruption is not a post-war novelty. Corruption is embedded in the Lebanese social and economic systems, especially when confessionism is

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<sup>68</sup> For more information, see the Independent Resource and Information Services: <http://www.iris-lebanon.org>

<sup>69</sup> Osseiran, p. 13.

<sup>70</sup> See, Maha Al-Azar, "Corruption Notebook: Lebanon", available at [www.globalintegrity.org](http://www.globalintegrity.org)

institutionalised within the Lebanese constitution. Also, as it has been argued above, the dominant elite in Lebanon has consisted as Gates puts it: “of a coalition of a socio-economic class of merchants and financiers and the politically and confessionally based *Zu’ama* (or traditional leaders).”<sup>71</sup> Michel Chiha, one of the most famous ideologues of Lebanese Nationalism, defined the Lebanese as merchants as well as confessional minorities.<sup>72</sup> It is worth noting that the composition of the Lebanese political elite changes only in times of war or in times of major upheavals (such as assassinations). The major losers of the civil war were the members of the political elite who came from the periphery, mainly from Akkar and South of Lebanon (the traditional leaders) who were replaced by newcomers from different ideological and religious political parties (the ex-militia).

What made corruption in post-war Lebanon flourish were the new opportunities created by the reconstruction process in which many of the new and old political elite benefited from private enrichment and increased their base of support. At the same time, the over-emphasis on consensus and the Syrian presence in Lebanon exacerbated the situation. Also, the numerous official attempts to fight corruption have proven to be short-lived and incapable of bringing about any change.

This paper discussed in depth the confessional nature of the Lebanese state which led to the institutionalization of corruption in modern Lebanon. Another feature of the Lebanese state is that it can be described as a “rentier state.” The rentier state theory argues that states which are dependent on external sources of funding should be understood differently at the qualitative level from states that rely on domestic revenue extraction because in states that rely on external resources, there is usually a bias against production behaviour and towards income circulation and services.<sup>73</sup> The Lebanese system always needed to secure sources of income which could be used as fuel to keep the engine of this static confessional system rolling and avoid polarization. This income which is not extracted from domestic surplus is most of the time either unearned or generated from unproductive processes through lobbying, bribing or as a reward for ownership, and is referred to as rents. In the case of Lebanon, rents are usually in the form of remittances, transfers, loans, grants, as well as corruption.

As Lebanon is not a resource-rich country, it is dependent on external resources. For example Lebanon received in 2006 \$US 2.6 billion as Foreign Direct Investments (FDIs) and \$US 5.2 billion as remittances.<sup>74</sup> Lebanon has been historically dependent on remittances since the first wave of immigration back in the 19<sup>th</sup> century. In 2006, Lebanon was the biggest recipient of remittances in the Middle East. Although the

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<sup>71</sup> Carolyn Gates, *The Merchant Republic of Lebanon: Rise of an Open Economy*, (Oxford: Center for Lebanese Studies, 1998), p.1.

<sup>72</sup> Traboulsi, *Silat Bila Wasel*, p. 46.

<sup>73</sup> For more information on the rentier state theory, see, Lisa Anderson, “The State in the Middle East and North Africa,” *Comparative Politics*, 20 (October 1987)

<sup>74</sup> *Daily Star*, 11/12/2006 and *Le Commerce du Levant*, January 2007.

government is not usually the main recipient of remittances, the latter still distort markets, causing the “Dutch Disease”<sup>75</sup> and even creating a parallel economy.

This confessional-rentier nature of the Lebanese state shaped the process of state building and, as it has already been argued, made the separation in politics between the public and private spheres impossible.<sup>76</sup> One can even take this argument further and argue that Lebanon never witnessed a state-building process, especially when the Lebanese state never had a monopoly on the use of force.

The Lebanese political elite has always practiced two-tiered rent-seeking. On the one hand, members of the political elite had to keep on securing access to the resources of the state to satisfy their clientele, while simultaneously having to keep control of the masses. This delicate balancing act was crucial to prove the usefulness of the different members of the political elite. In other words, in Lebanon the political elite has always bartered power for services and favours. In this context, one can argue that the reconstruction program gave the political elite extra opportunities to benefit and to satisfy their clientele.

This survey tried to show that one has to put corruption in Lebanon in its right context. Corruption in Lebanon has been part of the country’s state-building process and development in both the pre- and post-war era. Finally, if corruption causes cynicism towards politics and democracy in general, in Lebanon corruption succeeded in causing a detachment between the citizen and the state.

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<sup>75</sup> The “Dutch Disease” refers to the deindustrialization of a nation's economy that occurs when the discovery of a natural resource raises the value of that nation's currency, making manufactured goods less competitive with other nations, increasing imports and decreasing exports. The term originated in Holland after the discovery of the North Sea gas.

<sup>76</sup> See, Khalil Gebara and Jad Chaaban, “Development in a Polarized Society: Looking at Economic and Social Development in Lebanon through a Different Lens”, *Abaad*, 2007, Number 11 (in Arabic).

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