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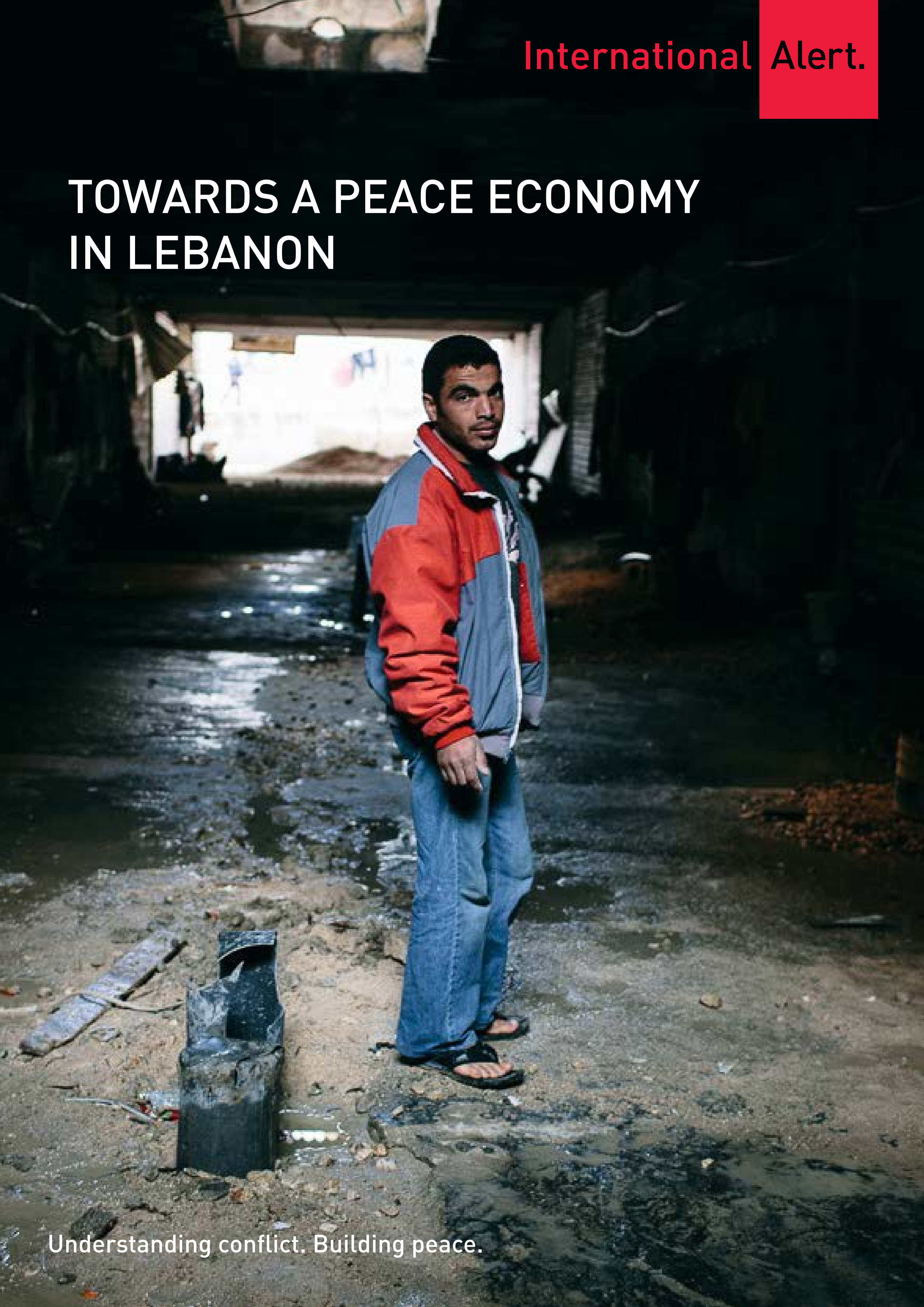
TOWARDS A PEACE ECONOMY IN LEBANON



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We focus on issues that influence peace, including governance, economics, gender relations, social development, climate change, and the role of businesses and international organisations in high-risk places.

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TOWARDS A PEACE ECONOMY IN LEBANON

Edited by Jessica Banfield and Victoria Stamadianou

September 2015

In partnership with:

Lebanese Economic Association
الجمعية الإقتصادية اللبنانية

NAHNOO

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Foreword

Following the end of the civil war there was a lot of excitement and hope concerning the prospect of rebuilding Lebanon. Very quickly, economic plans that were put in place to rebuild the country fell short of delivering sustainable growth and equitable development. Growth was not inclusive, as it benefitted members of the political and business elite at the expense of the rest of the population. The banking and real estate sectors benefitted greatly, whereas productive sectors such as manufacturing and agriculture were at best ignored, if not undermined. Those with capital and political connections – in some cases they were the same – increased their wealth tremendously. By contrast, labourers saw their real income fall. Labour unions were broken and more recently, the teachers' coordination committee that was spearheading the salary adjustment campaign was silenced by the same political parties and coalitions that seem to be at odds on every policy decision except when it comes to supporting workers.

The outcomes of these policies advanced by successive governments since the early 1990s intensified the concentration of wealth and made very few people very rich at the expense of others. According to a Credit Suisse Global Wealth Databook of 2014, 8928 individuals control 48% of Lebanon's wealth. Put differently, the economic policies in question were not designed to privilege one sect over the other but to privilege the political and business elite of all sects at the expense of citizens of all sectarian affiliations.

It is in this context that the report *Towards a peace economy in Lebanon* makes an important contribution by focusing on four key sectors: real estate, agriculture, water and banking. The report demonstrates through the four cases how successive Lebanese governments, irrespective of their political affiliations, privileged the banking and real estate sectors through tax incentives and exemptions, which fundamentally served the rich and the politically connected. On the other hand, the agricultural sector, which relies on sustainable water policies and is predominantly associated with the poorer segments of society, was of lesser concern to the political elite. Hence, these sectors were left to local entities and international organisations to deal with. Furthermore, the report indirectly hints that the direction of the market is often partially dictated by government policies that are engineered to support more powerful segments of society. These chapters also confirm that socio-economic tension in the country is not between or among certain sects but between the haves and have-nots.

In brief, the report's key message is that Lebanese politicians have transcended their sectarian differences to serve the interests of the wealthy and political elite. What makes these chapters credible is that they are authored by individuals and organisations that have the public's interest at heart. Equally important, they challenge conventional wisdom which asserts that Lebanon has failed to produce equitable growth because of its sectarian politics, and instead make us think about the central roles class and income inequality play. Finally, it is my hope that this report provides tangible and concrete tools to assess and address these challenges through policies that are more inclusive and equitable.

Sami Atallah
Executive Director
Lebanese Center for Policy Studies

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About the contributing organisations

International Alert
International Alert is one of the world's leading peacebuilding organisations, with nearly 30 years of experience laying the foundations for peace. Alert has been working in Lebanon since 2009 to help to identify opportunities for more participative, representative and responsive governance in the country, as well as more effective state institutions and security provision. Alert also helps to ensure that international interventions to address the Syrian refugee crisis do not further contribute to conflict among communities or weaken state institutions. Find out more at www.international-alert.org/lebanon

Public Works
Public Works is a design and research studio that considers these two domains of knowledge as complementary practices. The collective was initiated by a graphic designer (Nadine Bekdache) and an architect (Abir Saksouk-Sasso), who overlaid their respective design disciplines with the study of urbanism. Together, they seek to engage critically and politically in a wide range of urban and public issues, within a common work environment. Find out more at www.publicworksstudio.com

NAHNOO
NAHNOO started as a group of students from the suburbs of Beirut, who face a lack of opportunities on an everyday basis, as well as the pervasive mistrust stemming from the highly sectarian society. NAHNOO – which translates from Arabic as "us" or "we" – organised activities and a platform for fellow students to meet, express themselves and develop skills. NAHNOO was officially registered as a non-profit organisation in 2009. In its approach towards a country where differences are respected and citizens are treated equally, NAHNOO identified public spaces as an essential factor. NAHNOO has run several campaigns to reclaim public space at specific sites across Lebanon, and runs activities mentoring and building particularly young citizens' capacities in this area. Find out more at www.nahnoo.org

Lebanese Economic Association
The Lebanese Economic Association (LEA) is a non-profit, non-partisan professional association, founded in 2007, that aims to spread and enhance the economics culture and methodology in Lebanon, with a view to add value to the public policy debate. Find out more at www.leb-econ.org
LEA also produces policy videos, which can be seen at www.youtube.com/theLEAproject

Abbreviations

ABL	Association of Banks in Lebanon
BCC	Banking Control Commission
BCD	Beirut Central District
BdL	Lebanese Central Bank (*Banque du Liban*)
DGU	Directorate of Urban Planning
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross domestic product
GLC	General Labour Confederation
IMF	International Monetary Fund
IPC	International Poverty Centre
LBP	Lebanese pound
LEA	Lebanese Economic Association
MoA	Ministry of Agriculture
MoEW	Ministry of Energy and Water
NGO	Non-governmental organisation
PPP	Public-private partnership
SBR	Shouf Biosphere Reserve
SCC	Syndicates Coordination Committee
UN-Habitat	United Nations programme for human settlements
UNDP	United Nations Development Programme

Introduction: Why a peace economy?

Jessica Banfield

The limitations of the 1989 Taif Agreement in creating the foundations for lasting peace in Lebanon following 15 years of bitter civil conflict are widely recognised. The power-sharing agreement, while in some respects representing an evolution of long-standing traditions distributing power across the leadership of Lebanon's diverse religious communities, is seen by many as little more than a ceasefire, rather than a genuine platform for change. In its aftermath, political parties have failed to fully transition away either from wartime structures and practices, or from the pre-war practices that can be viewed as having fuelled the war in the first place.[1] The Taif Agreement essentially entrenched the grip on power of conservative elites from across the primary confessional divides, leading to subsequent stalemate across key areas of political decision-making.[2] In the words of two journalists: "The Taif accord ended the civil war, but in reality the war moved away from the battlegrounds to a cold political war."[3]

Lebanon's geostrategic significance, on the doorstep of the Israel–Palestine conflict, and as a proxy to its powerful and mutually hostile regional neighbours, Iran, Israel, Saudi Arabia and Syria, creates a wider environment in which efforts to build more inclusive and progressive domestic politics are under constant surveillance and threat from outside. At the same time, Lebanon's political leaders are skilled in taking advantage of regional insecurity to mobilise sectarian fear and support for their own agendas. In recent years, the drift away from narratives of Arab nationalism towards sectarian and religious intolerance in the wider region, now manifesting most dramatically in the chaos of Syria's civil war, have further ratcheted both political and socio-economic pressure onto Lebanon's fragile status quo. Syria's experience equally serves as a cautionary tale inspiring renewed efforts to build resilience and peace at home.

This report is concerned with the ways in which, in this context, governance of Lebanon's economy underpins its structural and overt conflict dynamics. The case studies that follow collectively illustrate how the system of sharing political power across conflict actors ostensibly representing sectarian power groups has directly enabled their dominance of economic opportunity in the post-war era. In particular, active engagement in the primary economic sectors on the part of political actors that dominate the 'private sector' presents significant opportunities for enrichment on the part of these individuals. Wealth creation in turn enables further power entrenchment, and further stasis in the political system.

Despite the pluralist nature of the political elite sharing power, societal reconciliation among different groups since the end of the civil war has been stalled. Indeed, it is evident from the material gathered in this volume that the political economy actively perpetuates divisions. In the absence of developmental and strategic planning across the different economic sectors, communities continue to depend on political actors for a full range of services, livelihood opportunities and other forms

1 F. el Khazen, Political parties in post-war Lebanon: Parties in search of partisans, Middle East Journal, 57(4), 2003, pp.605–624

2 E. Picard and A. Ramsbotham (eds.), Reconciliation, reform and resilience: Positive peace for Lebanon, Accord Lebanon, Issue 24, London: Conciliation Resources, 2012; see also M. Kraft et al., Walking the line: Strategic approaches to peacebuilding in Lebanon, Bonn: Working Group on Development and Peace (FriEnt), 2008

3 H. Itany and H. Fathallah, Lebanon's Taif Agreement needs revision, Al Monitor, 12 June 2013, http://www.al-monitor.com/pulse/originals/2013/06/taif-accord-lebanon-civil-war-sectarian-balance-hariri.html#

of benefit through clientelist sectarian relationships.[4] This situation inhibits the evolution of issue-based politics and reinforces sectarian polarisation. It also, paradoxically, serves to enable collaboration of political elites across confessional divides to continue at the highest level but in the interest of their own personal enrichment, to the detriment of broader-based developmental goals that would allow for all Lebanese to enjoy access to opportunities.

The various organisations and authors contributing to this volume are motivated to highlight these trends as a form of constructive challenge to the status quo, which insists on a narrative of Lebanon's post-war economy as a success story. The overall approach is guided by International Alert's theoretical framework and practical experience addressing political economy factors as part of its overall approach to peacebuilding around the world, discussed in further detail below.

Why a 'peace economy'?

Alert's overall peacebuilding methodology in designing peace-enabling interventions accepts that conflicts *per se* are not necessarily 'bad', and can play an important role in driving progress. The problem is when they become violent or are allowed to fester. Thus, peace is not just the absence of war, but a situation where people are managing and resolving their conflicts without violence, and making equitable progress to improve their lives.

Peace is understood to be underpinned by functional relationships between people, groups and countries, mediated by institutions and the presence of five interwoven "peace factors" in any given context.[5] These are:

- good governance and fair access to power;
- fair access to opportunities to earn income and accumulate assets;
- fair access to justice;
- people feeling safe from harm; and
- people's wellbeing.

Peace is not an abstract idea, according to this approach, but the product of very practical private and public goods, the nature of which determines its degree and sustainability. From this perspective, peacebuilding is the art of promoting progress towards these peace factors.[6]

The economy, and how it is governed, is thus the second of Alert's peace factors. Appreciation of a country's political economy becomes a key strategy for understanding conflict dynamics, as well as the entry points for building peace.

4 This issue is also the subject of some academic research. See for instance: N. Salti and J. Chaaban, The role of sectarianism in the allocation of public expenditure in post-war Lebanon, International Journal of Middle East Studies, 42 (4), 2010, pp.637–655; M. Cammett and S. Issar, Bricks and mortar clientelism: Sectarianism and the logics of welfare allocation in Lebanon, World Politics, 62(3), 2010, pp.381–421; S. Atallah, Reconstruction and peace in Lebanon: Post-war economic policy, in E. Picard and A. Ramsbotham (eds.), 2012, Op. cit. An earlier study conducted jointly by the Lebanese Center for Policy Studies (LCPS) and International Alert explored youth perceptions of *waasta* (an Arabic term that refers to an intervention done by a person to help another person in a certain issue; this varies from getting a job, to having a certain privilege from a public or a private institution, to avoiding paying a fine) as a means of gaining economic opportunities; see Lebanese Center for Policy Studies, Youth employment and clientelism: Focus group report, Beirut: LCPS, 2012 (unpublished)

5 International Alert, Programming framework for International Alert: Designing, monitoring and evaluation, London: International Alert, 2010, http://www.international-alert.org/sites/default/files/library/Programming_Framework_2010.pdf

6 P. Vernon, Peace through prosperity: Integrating peacebuilding into economic development, London: International Alert, 2015, http://www.international-alert.org/resources/publications/peace-through-prosperity

Political economy analysis

"Political economy analysis is concerned with the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time. When applied to situations of conflict and crisis, political economy analysis seeks to understand both the political and the economic aspects of conflict, and how these combine to affect patterns of power and vulnerability … A political economy approach should incorporate a wide historical and geographical perspective, explain why the relative power and vulnerability of different groups changes over time, and explain how the fortunes and activities of one group in society affect others."

Alert has produced a wide body of research as well as numerous programming interventions around the world in countries as diverse as those of the recognised and unrecognised states of the South Caucasus region, the Philippines, Uganda, the Democratic Republic of Congo, Rwanda and Sri Lanka, which all respond to the varied economic dimensions of conflict and peace in these quite different settings. These include initiatives to research and facilitate dialogue on economy and conflict issues; using economic initiatives such as microfinance or business-to-business engagement to promote reconciliation across conflict faultlines; working with stakeholders to address natural-resource-based conflicts; engaging the private sector in peace initiatives; as well as influencing economic policies of government and development partners.[7]

In a forthcoming review of the organisation's experience in this area, which offers an overview of the relationship between prosperity and peace, and a framework for integrating peacebuilding into economic development, Alert identifies four core components of peace-conducive economic development, or a 'peace economy' that resonates globally, while at the same time requiring contextualised nuancing:[8]

- decent and fair access to livelihoods;
- fair and widespread access to savings and investment opportunities;
- efficient use of government revenues to provide services; and
- social and environmental sustainability of economic activities.

From the introductory paragraphs above, it is clear that Lebanon's economy is not well aligned with peace as envisaged in this theoretical framework – an assertion that chimes with the articles included in this volume, examining the issues through the lens of particular economic sectors. While aspects of Lebanon's political economy have been the subjects of some academic research, as above, and the issues may be well recognised on the part of disaffected Lebanese citizens, deliberate peacebuilding interventions designed to incrementally address them have been lacking. Recognising the complexity of the issues at stake, Alert hopes, through gathering this material, to contribute to the identification of pathways and entry points for constructive change, in the interest of promoting positive peace.

7 Key studies in this area include: J. Banfield, C. Gündüz and N. Killick (eds.), Local business, local peace: The peacebuilding potential of the domestic private sector, London: International Alert, 2006, http://www.international-alert.org/resources/publications/local-business-local-peace; reports in the 'Shadow economies and peace in the Philippines' series, http://www.international-alert.org/what-we-do/where-we-work/south-and-southeast-asia/philippines/publications; J. Banfield, Harnessing oil for peace and development in Uganda, London: International Alert, 2009, http://www.international-alert.org/resources/publications/harnessing-oil-peace-and-development-uganda; among others.

8 For a full discussion on this and other aspects of the 'peace economy' framework – including identified "levers of change" – see International Alert, 2015 (forthcoming), Op. cit.

The political economy of conflict in Lebanon – historical context

The political economy of conflict dynamics in present-day Lebanon represents an evolution of trends with clear historical lineage. Socio-economic factors are recognised to have played their part in leading to civil war, with several scholars charting the historical forces of Lebanon's political economy contributing to the development – and breakdown – of modern Lebanese society.[9] These narratives identify Lebanon's particular experience of 'peripheral capitalism', evolving from the 19th century and expanding significantly after 1945, as bringing about vastly uneven development in agriculture, as well as other distortions that had repercussions including long-term unemployment and increasingly socio-economic, regional and sectarian inequalities, as well as large-scale emigration, among other effects.[10] Questions are also raised as to 'who benefits', and who was excluded from Lebanon's "Switzerland of the Middle East" development trajectory that saw it come under the control of a dominant mercantile-financial bourgeoisie and closely align with Western powers over Arab neighbours.[11] These factors from Lebanon's economic history are to be weighed alongside other more familiar confessional, cultural, regional and ideological dynamics, in understanding how Lebanon came to the point of civil war. In simplified terms, the overdevelopment of Beirut's commercial-financial service sector at the expense of internal production and the development of the rest of Lebanon represented a major source of inequality and grievance.[12]

The political economy of the civil war has also been documented. One scholar describes how, in the seeming chaos and fragmentation of war, competing militias, as well as other less influential groups, devised systems not only to manage the material and logistical demands of war making, but also to "maximise the profit opportunities created by war, and to compensate for the absence of the state in the provision of essential social services to specific communities".[13] Significant wartime profits accrued from production and sale of cannabis and opium, which together represented a multi-billion-dollar industry flourishing during the wartime era.[14] Further, "markets in wartime Lebanon operated not only within but across newly created territorial boundaries, producing forms of interaction, even interdependence and collaboration, that seem almost out of place given the intensity of violence between (and sometimes within) Lebanon's highly polarized communities".[15] This notion of collaboration by politico-military elites across conflict faultlines in the interests of sustaining profit opportunities resonates with the present-day status quo, as highlighted above, and explored further in the articles that follow.

Reconstruction of Lebanon in the immediate post-war era also provided opportunities for enrichment of political elites, with, in the words of one analyst, "the country's post-war politics [becoming] virtually synonymous with endemic corruption".[16] According to another expert:

9 See works of F. Traboulsi, as well as C. Gates, The historical role of political economy in the development of modern Lebanon, Papers on Lebanon No. 10, Oxford: Centre for Lebanese Studies, Oxford University, 1989

10 Ibid. Put simply, peripheral capitalism is described as the experience of capitalist development taking place in a non-Western location where Western imperialism dominates and shapes its trajectory in ways that suit external interests.

11 Ibid., p.33

12 See World Bank, http://web.worldbank.org/archive/website01241/WEB/IMAGES/LEBANONF.PDF

13 E. Picard, The political economy of war in Lebanon, in S. Heydemann (ed.), War, institutions, and social change in the Middle East, Berkeley, University of California Press, 2000

14 For a recent overview, see J. Marshall, The Lebanese connection: Corruption, civil war, and the international drug traffic, California: Stanford University Press, 2012

15 Ibid.

16 See R. Leenders, In search of the state: The politics of corruption in post-war Lebanon, 2003, http://www.academia.edu/1540452/In_Search_of_the_State_The_Politics_of_Corruption_in_Post-War_Lebanon; this thesis was developed into a full-length book, see R. Leenders, Spoils of the truce: Corruption and state-building in post-war Lebanon, New York: Cornell University Press, 2012. A detailed account of the nature and form of corrupt practices post-conflict reconstruction in Lebanon is also provided by C. Adwan, Corruption in reconstruction: The cost of national consensus in Lebanon, Washington DC: Center for International Private Enterprise, 2004, http://anti-corruption.org/pmb321/pmb/opac_css/doc_num.php?explnum_id=74

"Distributing state assets and institutions amongst as many of the warlords as possible was the interpretation of national reconciliation adopted after the war."[17] While in principle such distribution may have been intended to share political voice fairly across identity groups, in practice it served to fragment the state and breed extreme levels of corruption. The task of computing the actual and opportunity costs of corruption affecting reconstruction is complex. Nonetheless, political actors' manipulation of the process, which broadly followed four priorities (the reconstruction of Beirut, reconstruction of South Lebanon, reconstruction and return of the displaced in Mount Lebanon, and reconstruction of public infrastructure across the country), served to create and grow a new generation of private firms and business interests closely linked to or fused with the centre of power. That many of these became extremely wealthy through this process is a known fact to most Lebanese.

Political economy and conflict risk in contemporary Lebanon

Is corruption thus the price of stability?[18] Trade-offs between 'peace' and 'justice' are a long-recognised dilemma in peacemaking.[19] Increasingly, the field of peace research is recognising the economic consequences of peace settlements, where opportunities for elites to access the 'spoils of peace' risk ossification ad infinitum. In other settings, such trends, taken to their extreme, have been described as situations of "criminalised peace".[20] Yet, in Lebanon, despite the experiences referenced above, as well as an increasingly jaded public perspective, and long-running press coverage of the activities of key companies such as Solidere, international opinion has tended to overlook the political underpinnings of failing economic reforms, while national leaders project a narrative of economic performance and renewal after the long years of conflict.[21]

This narrative overlooks important dynamics at play. As history shows, governance of Lebanon's economy has profound implications for peace and security, and may today risk ultimately contributing to a new phase of conflict. Given the enormous pressures faced by Lebanon in view of escalating conflict in the wider Middle East, its domestic resilience is essential – some suggest for its very survival. Yet the following articles provide evidence drawn from across different sectors of Lebanon's economy, of a political economy at work that is profoundly misaligned with the interests of lasting peace.

The first contribution, authored by Kanj Hamade, assistant professor of agricultural economics at Lebanese University, provides an historical analysis of the ways in which underdevelopment of Lebanon's agricultural sector by successive governments has led to neglect of economic and livelihood potential, leading to inter- and intra-regional inequality. The penetration of foreign

17 Adwan, 2004, Op. cit., p.2
18 See P. Le Billon, Buying peace or fuelling war: The role of corruption in fuelling armed conflicts, Journal of International Development, 15(4), 2003, pp.413–426
19 See N. Roht-Arriaza and J. Mariezcurrena (eds.), Transitional justice in the twenty-first century: Beyond truth versus justice, New York: Cambridge University Press, 2006, p.346; and R. Kerr and E. Mobekk, Peace and justice: Seeking accountability after war, Cambridge: Polity Press, 2007
20 M. Berdal, Building peace after war, London: International Institute of Strategic Studies, 2009, p.62
21 During the recent global financial crisis, for instance, Lebanon's banking industry was widely praised for its resilience relative to other financial centres. In the words of the IMF: "Despite its vulnerabilities, the Lebanese economy has shown a remarkable macroeconomic performance. Lebanon's public debt-to-GDP ratio remains very high, its large banking system is highly exposed to the sovereign and dependent on nonresident deposit inflows, and the country lies at the crossroads of regional political tensions. Nonetheless, Lebanon has achieved a strong macroeconomic performance, helped by prudent policies and an improvement of the political and security situation after the May 2008 Doha Agreement." (See IMF, IMF Executive Board Concludes 2009 Article IV Consultation with Lebanon, Public Information Notice, 17 April 2009, www.imf.org/external/np/sec/pn/2009/pn0949.htm)

capital in Mount Lebanon and Beirut boosted the development of export-oriented agriculture, as well as large-scale trade infrastructure (such as ports, roads and railways). It gradually changed social and power relations, creating the merchant and absentee landlord class that would constitute – together with the landlords of the periphery – the future political elite of modern Lebanon. After independence in 1943, the elite's interests were clearly expressed in an economic strategy based on trade and financial services, in which agricultural policies and rural development were almost completely neglected. The article thus concurs with political economy readings of factors leading to Lebanon's civil war, arguing that growing income inequality and uneven territorial development created the economic bases for social unrest and, ultimately, war. Rural inequality has continued to serve as a root cause of social unrest in the post-war era, and the article suggests that the successive armed clashes taking place in and around Tripoli between Jabal Mohsen and Bab al-Tabbaneh, as well as the draw for rural youth to violent extremist agendas, can equally be attributed in part to regional development inequalities, unemployment and poverty. The article provides an overview of the policy and institutional framework governing agriculture-based activities – established in the late 1950s under President Fouad Chehab, and largely unchanged today – consequently highlighting the failure of successive governments to develop a comprehensive agricultural strategy for the nation. The central administrative body, the Ministry of Agriculture (MoA), has received an extremely limited financial allocation in recent years – averaging only 0.4% of the national budget from 1992 to 2005. Instead, regional demand for Lebanese fruits and vegetables, particularly from the Gulf region, has driven the sector, hence an "agriculture that is subordinate to trade".

Despite the overall neglect of agriculture, large landowners have been able to produce and process at scale and harness export opportunities, while smaller farmers remain acutely uncompetitive, unable to access financing and other technical support. As with other sectors reviewed in this volume, it emerges that the major agricultural, agro-industrial and agro-trade holdings are directly owned by influential politicians. Lebanese agriculture is falling behind in competitiveness in part as a result of a lack of investment in new technologies and sectoral planning – as well as external factors such as the Syria crisis. The article highlights the need for renewal and transition – positing that there are signs that agriculture is now in a slow transitional restructuring period. However, this is led by national, politically affiliated organisations and international donors, each one operating within the confines of its own 'political space'. Key among these are sectarian-based rural development foundations and non-governmental organisations (NGOs) that serve the needs of identity-based constituencies – further playing into divisions rather than the reverse. Donor interventions in rural areas in Lebanon are also significant and on a much larger scale: USAID alone has a budget that exceeds US$200 million for the next five years. Some benefits are visible from across the non-state initiatives reviewed. However, ultimately, the article concludes that what it refers to as "politically driven" actions in the sector (whether sectarian based or international) fail to converge towards a clear agricultural or rural development state-led strategy that could move the sector from being a source of social unrest, to becoming one of the pillars of Lebanon's economy, and lasting peace.

The second contribution is authored by architect Abir Saksouk-Sasso and designer Nadine Bekdache – who both describe themselves as "urbanists" and are the driving force behind the collective Public Works – with additions from Mohammad Ayoub, executive director of the NGO NAHNOO. It charts the effects of Lebanon's booming post-war real estate sector on citizens' access both to affordable housing and public space, as well as on their everyday lives. The article challenges the national and global vision of Beirut as a high-end luxury investment destination, by highlighting some of the social consequences of the particular mode of urban development that has been championed by the government since the post-war reconstruction phase. Further, it explores the close personal involvement of many key figures in government and the political parties, with the very real estate companies that are at the fore of transforming the city. To give one of many examples cited in the article, between 1972 and 2000, 59 real estate companies were reportedly owned by one single prominent politician or his close family members. However, from publicly available information, it is apparent that ownership ties to the sector cut across all the main groups represented in government and across all sectarian leaders.

The authors show how the sector has received legislative and tax incentives beyond anything enjoyed by other sectors, fostering its expansion and growth, while at the same time generating significant profit for those involved. Commensurate policy to take into consideration other priorities around use of urban space, or issues of collective rights to urban resources, has lagged behind. Crucially, from the perspective of conflict dynamics at large in society, the article gives several examples of how the opportunity to rebuild an urban environment that would actively foster reconciliation among Lebanon's divided communities has been squandered. The article explores case studies of recent legislative moves to end rent controls in Beirut, as well as efforts to develop the remaining open shared areas along the city's coastline. It argues that the rush to rebuild Beirut in the image of other global capitals of the super-rich poses a real threat to social cohesion, risking mass eviction; people being pushed further into neighbourhoods produced according to political differences; and significant restrictions on opportunities to mingle and be represented in public spaces.

The third article explores how Lebanon's political economy affects service delivery of vital public goods, with a focus on the water sector. Dr Roland Riachi, economist and post-doctoral fellow at the Issam Fares Institute for Public Policy and International Affairs, American University of Beirut, highlights how the appropriation of water in Lebanon, through its liberalisation as a sector, mirrors the economic structures and the political confessional system of the country, in ways that have led to an unsustainable situation of inadequate service delivery, fuelling civic discontent. The proponents of neo-liberal theory informing privatisation anticipate that liberalisation processes will work in the public interest. However, in Lebanon, private actors have instead exploited their appropriation of water assets to reap disproportionate profits, at the expense of the public.

Access to water supply varies across regions, and has failed to keep up with rapid urbanisation. Due to service rationing and unequal provisioning between regions and neighbourhoods, water provision is at the core of geographical disparities and urban fragmentation. Three-quarters of the Lebanese household budget allocated to water is paid, off-network, to private vendors, primarily bottled water companies and water truck providers. A further significant consequence of poor network supply has been a boom in the practice of digging private wells. Significantly, this informal practice has played an important role in consolidating political allegiances, as political parties have taken up the opportunity to drill wells, using water as a socio-communitarian service, especially in peri-urban and remote areas that lack complete state intervention. Inadequate state performance in managing the water sector thus feeds into fragmentation in the wider socio-political space. Further, public water infrastructure projects have been diverted through politically linked construction companies, in the absence of either a clear strategy or transparent bidding processes. In addition, external public debt has been accumulated by different government agencies commissioning works. International donors are seen by the author to be directly implicated in a failed management process that has provided one among many venues for corruption and profiteering by the political elite.

Meanwhile, considering water use in agriculture, dominant large landowners' private initiatives in the use of water for export-led production in the absence of public irrigation schemes have skewed development opportunities – with direct consequences for rural poverty and inequality across the country. The article closes by challenging the dominant policy positions, which see large-scale public-private partnership (PPP) dam-building projects as the solution to Lebanon's water supply issues. Instead, it questions the feasibility of these dams, most of which are subject to massive leakage due to the type of geological formation found in Lebanon, while also highlighting the commercial and political interests of key politicians driving many of the new projects behind-the-scenes. The article concludes that universal access to water for Lebanese citizens and residents has so far been held hostage to the confessional patronage networks in Lebanon, which directly shape powerful interests in attaining control of water supply.

Finally, the volume turns to critically evaluate Lebanon's banking industry – foundation of the economy since the 19th century and source of its reputation as "the Switzerland of the Middle East". Authored by Georgina Manok, researcher and activist at the Lebanese Economic Association (LEA), with inputs from Dr Jad Chaaban and Dr Mounir Rached, founding members of the LEA, the article notes that, even before the civil war, "the excess in banking resources, against the country's inability to assure the development of social and physical infrastructure, have been paradoxical features of the Lebanese economy". The huge scale of banking assets against the overall socio-economic indicators in the country persists today. Significantly, 0.05% of Lebanese citizens control US$34 billion of bank deposits, and 2% of bank accounts dispose of 70% of the total bank deposits in the country. The discussion proceeds to highlight several features of the banking industry that may have served to contribute to unequal growth, as well as longer-term fragility in the sector itself. In particular, it records how speculation on state debt incurred in the aftermath of war has enabled a small minority of banks and individuals, in Lebanon and abroad, to secure enormous profits. Lebanon's overall debt burden has now reached a huge 145% of the national income. High interest rates associated with public sector debt have meanwhile had the effect of crowding out investment in other more productive sectors.

A further link is drawn, in turn, between dependence on public debt and increasing influence of the banking industry on social issues. The article includes a case study that describes the recent controversy around public sector wage increases that saw the Association of Banks in Lebanon (ABL) and the Lebanese Central Bank (BdL) in direct confrontation with labour representatives. Several other indicators illustrate the skewed advantages brought by this mainstay of the Lebanese economy to the wider citizenry. This includes the banks' conservative and risk-averse approach to lending, which imposes opportunity constraints, while loans that are extended significantly privilege the housing and services sector over all other productive sectors. Finally, as with the real estate sector, the article hints at a comparable narrative of close involvement of key political figures in the ownership of leading banks, while official governance structures mirror confessional divides.

A political economy misaligned with peace: emerging themes

Extrapolating from across these four articles, it is possible to identify several common threads of conflict risk running through Lebanon's political economy.

First, each article highlights the way in which profit from the specific economic sector in question is tightly controlled by individuals closely linked to or fused with the centre of political power, from across the confessional divides. The articles did not involve investigative enquiries into the minutiae of corporate ownership, and base their arguments on publicly available information. Even here, in the interests of ensuring attention to the core issues, rather than distractions motivated by immediate political agendas in the review of this work, an editorial decision was made to edit out specific instances linking particular politicians to particular companies.[22]

22 Other sources explore these; see, for instance, F. Traboulsi, Social classes and political power in Lebanon, Beirut: Heinrich Böll Foundation – Middle East, 2014, http://lb.boell.org/sites/default/files/fawaz_english_draft.pdf

However, the close ties between politicians and Lebanon's 'private' sector – whether banks, real estate companies, agricultural land and agro-industry holdings, water supply or dam ventures – emerge clearly. Such close fusion between public and private belies the market-based rationale for a privatised economy – which in essence envisages free competition. Instead, the articles tell a common narrative of Lebanon's political elites exploiting their positions to dominate economic opportunity to the exclusion of the majority. The wealth gained from this model of capitalism has created significant wealth for a few, bringing with it a perpetual interest to maintain the status quo. Given the systemic flaws of the post-Taif Agreement political system, this in itself is a risk factor, working against the possibility of constructive reform and adjustments.

Elite enrichment through dominance of private opportunity also helps to maintain the functionality of the clientelist system across the political spectrum – noting this also continues to draw substantively on public sector administration. Maintenance of the status quo requires continuous divisions among Lebanese, and a reinforcement of secular identity over national identity. This has a very practical dimension, where failure to develop successful national strategies has led to poor service delivery and a consequent reliance by citizens on political actors for services, as well as other public goods such as urban space and the natural landscape. Sectarian constituencies are tightly bound to their political 'representatives'. Opportunities to build a more meaningful reconciliation among divided communities are lost as the interests of private capital accumulation by elites are put before broader-based development objectives. The legislative process especially in the post-war era has been subsumed to serving these interests, again at the expense of the wider common good. In addition, each article points to deepening inter- and intra-regional disparity and exclusion resulting from the overall political economy, as direct sources of grievance and tension in society. In two of the contributions, a link is drawn between rising extremism and such underdevelopment of opportunity. Given the wave of violent extremism experienced in the region, and the complex pattern of allegiance to different external powers that informs sectarian identities within Lebanon, this failure to create and generate economic opportunities for wider citizenry represents a major source of conflict risk.

At the same time, taken together, the articles point to more positive dynamics. Strikingly, each of the articles also highlights nodes of civic resilience and resistance to these divisive trends. In the case of agriculture, this takes the form of armed clashes between farmers and landowners in the country's recent history. In the absence of public agricultural policies, no direct bargaining relationship or platform for policy dialogue between potential farmer organisations and the state has been established. Rather, politically affiliated stakeholders have come to play the role of the state in governing the direct relationship with farmers, and there has been little effort to mobilise or coordinate a louder farmers' 'voice'.

However, the other three articles emphasise a present-day generation of activism. This ranges from activists staging protests against exclusive construction projects in Beirut live on television; through the continued advocacy, solidarity and legal protest work in defence of tenants' rights led by the Committee to Defend the Tenants' Rights, together with other tenants' associations and diverse activists; to the broad-based campaigning and multi-stakeholder engagement to protect the Dalieh seafront to which numerous individuals, groups and organisations have contributed. The work of NAHNOO to reclaim public space in the interests of social cohesion in Lebanon is highlighted, among others. In the words of its executive director, "victory in the different campaigns can [itself] be demonstrative of cross-sectarian and youth-led community impact, setting a precedent in the improvement of the public space situation through civic engagement and partnership with the municipalities".

Further, the concerted efforts of organised labour to dissociate from the politically influenced and muted older General Labour Confederation (GLC) by forming a new association, the Syndicates Coordination Committee (SCC), is highlighted in the article on the banking sector. Protesting untenable low public sector wages in the face of steep inflation and increases in cost of living, the SCC succeeded in gathering masses of employees under its banner in nationwide demonstrations, the largest demonstration of labour interests in many years. Lebanese citizens from various backgrounds, areas and political parties came together under one objective: improving livelihoods of employees by correcting the inequitable distribution of resources and wealth. Some of the main features for the success of the SCC in gathering supporters were its transparency, its ability to speak to the demands of workers, its wide membership base and open membership policy, and its rotation of roles with biennial elections (contrasting with the GLC, which has had the same chief for 14 years). The main objective of the SCC has been to finance the salary scale through the introduction of capital gains taxes on the real estate sector and increasing the taxes on banking profits, together encompassing what the SCC president refers to as Lebanon's "financial whales".

The contribution on water again highlights Lebanese citizens' perspectives, including the resilience strategies of residents coping with poor supply, as well as instances of civic mobilisation and demand for better service. In different regions, citizens have begun mobilising for their right to decent water service.[23] Five additional dams are under construction. Each has attracted both political interference, as well as opposition from local stakeholders (farmers working on Saints Sarkis and Bakhos monastery lands in Nahr Ibrahim), municipalities (Chatine, Hammana and neighbouring municipalities) and ecological NGOs (the Lebanon Eco Movement), which all insist on the application of environmental and social impact studies by independent bodies prior to construction.

These scattered examples of civic engagement, seeking to advance an alternative future for Lebanon through direct engagement with specific sectoral impacts of the current political economy, represent foundations on which to build a 'peace economy'. They resonate with the analysis of other observers of priorities for peace in Lebanon, as summarised in one recent report that is largely focused on different aspects of civic peace activism, which found Lebanese citizens "hungry for change … actively exploring boundaries and pushing to achieve it … Lebanon's people need to find ways to empower themselves to move forward, so that the reforms that were deemed necessary at Taif are implemented, so that building national consensus and reconciliation are pursued as priorities, and so that policies are adopted to allow the state to survive and manage its perilous environment".[24] Perhaps, in this line, some encouragement can be taken from the examples of citizens' movements in response to specific impacts of the political economy that are captured in this volume. While stasis in the political system itself may be entrenched, people's activism and outlook for change remains dynamic and proactive – even gathering momentum.

23 These happened in Jounieh in 2011; Jdita in 2012; Nabatieh in 2013; Beirut suburbs, Bint Jbeil, Saida and Baalbek during the dry summer of 2014; and Baabda-Mreijeh in 2015.

24 E. Picard and A. Ramsbotham (eds.), 2012, Op. cit., pp.7–8

Transforming the historical link between agricultural policy and inequality in Lebanon

Dr Kanj Hamade[25]

Introduction

This article looks at the question of a peace economy in Lebanon from an agricultural and rural perspective. It argues that the lack of interest in agricultural development and the agricultural policies of successive governments are at the core of regional and inter-regional disparities, which in turn are a major root cause of civic discontent.

Evidence of the link between regional inequality and rural social unrest: instances from Lebanon's recent history

Violent civic conflict in Beirut and other major urban centres in Lebanon is well documented. In addition, Lebanon's recent history has been punctuated with several significant farmers' uprisings. These include armed conflict between the peasants of the Akkar plain and absentee landlords in 1968 (assisted by the Syrian government of Salah Jadid); the revolts of the tenant farmers of the Tannurin and Mayfud convent in 1970; violent conflict over land ownership between the peasants of Hanin in South Lebanon and local landlord Kamel El-Asaad (also speaker of the house at that time) in 1971; as well as violent conflict between the Usayran family and local farmers of Qantara (South Lebanon) in the same year.

Post-war examples of farmers' rebellion include the early 1990s 'hunger revolt' led by former Hezbollah secretary general Sobhi Al-Tufayli, as well as several phases of armed conflicts between cannabis growers and the army in the Baalbek Al-Hermel area.

In more recent years, and although no academic studies are yet available, it is undeniable that successive armed fights taking place in and around Tripoli between Jabal Mohsen and Bab al-Tabbaneh, as well as the draw for rural Sunni youth to an extreme interpretation of Islam including that preferred by Al-Qaeda and ISIS, both find their roots in regional development inequalities, unemployment and poverty.

Lebanese laissez-faire has created a heterogeneous agriculture, subordinate to trade, that grew in the mid-1950s benefiting from the country's regional comparative advantage. However, this agriculture is now in a slow transitional restructuring period, in which production is adapting to the new requirements of international markets. This transitional period is led by national, politically affiliated organisations and international donors, each one operating within the confines of its own political space. However, these politically driven actions in the sector fail to converge towards a clear agricultural or rural development state-led strategy that could move the sector from being a source of social unrest, to becoming one of the pillars of Lebanon's economy, and lasting peace.

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This article first discusses the historical and economic factors that have led to regional and inter-regional uneven development in Lebanon. It then looks at the present challenges faced by a sector in transition, as well as its stakeholders and political dynamics – in other words, its political economy. Finally, the study concludes with a number of policy actions and recommendations for the development of a Lebanese peace economy in which agriculture and rural development are sources of peacebuilding processes and social cohesion.

Historical background: the sources of uneven regional development

Lebanon's economy is characterised by uneven economic development between the country's core – Beirut and Mount Lebanon – and its periphery – North Lebanon, the Beqaa Valley and South Lebanon. This uneven development has its historical roots in the agricultural modes of production that prevailed in the mid-19th century, where agricultural specialisation in the production of silk as a main raw commodity for export prevailed in the core, while agriculture in the periphery remained a subsistence, non-monetised activity, in which surplus would go to powerful landlords. As is also the case in other southern Mediterranean regions, the penetration of foreign capital in Mount Lebanon and Beirut boosted the development of export-oriented agriculture, as well as large-scale trade infrastructure (such as ports, roads and railways).[26] It gradually changed social and power relations, creating the merchant and absentee landlord class that would constitute – together with the landlords of the periphery – the future political elite of modern Lebanon. For example, both Riad El-Solh, the country's first prime minister, and Sabri Hamadé, the first house speaker, come from large influential landlord families; furthermore, families influential at the time of the mandate are still represented in parliament today.

In the 1920s, the French mandatory power, which acknowledged regional inequality, initially envisaged an economic rural development plan for the peripheries. However, and as a direct result of their need for the political support of local landlords, the French quickly abandoned what should have been the first rural development plan in Lebanon. By failing to spark a rural development dynamic, they maintained the political and power structures in Beqaa, the North and South Lebanon, which confirmed the hegemony of a small class of merchants, bankers and landlords, and in turn strengthened a "pattern of economic activity in which agriculture and industry had become more and more subordinate to banking and trade".[27] After independence in 1943, the elite's interests were clearly expressed in an economic strategy based on trade and financial services, in which agricultural policies and rural development were almost completely neglected (see box). Several opportunities to undertake an industrialisation process were sacrificed, resulting in growing income inequality and uneven territorial development, thus arguably creating the economic bases for social unrest and, ultimately, the civil war of 1975–1990.[28]

26 For a description of the case in Sicily, see J. Schneider and P. Schneider, Culture and political economy in Western Sicily, New York: Academic Press, 1976

27 R. Owen, The political economy of Grand Liban, 1920–70, in R. Owen (ed.), Essays on the crisis in Lebanon, London: Ithaca Press, 1976, p.24. For a detailed analysis of Lebanon's mandate period, refer to K. Firro, Inventing Lebanon: Nationalism and the state under the mandate, London: I. B. Tauris, 2002

28 See C. Dunbar and S. Nasr, Les classes sociales au Liban [Social classes in Lebanon], Paris: Presses de la fondation nationale des sciences politiques, 1976

An agriculture 'subordinate to trade'

In the context of a lack of political interest in the development of rural areas, the primary factor influencing evolution of the agricultural sector has been adaptation to changes in the regional export demand for its products. Introduction and expansion of certain production techniques has thus gone hand-in-hand with economic and political changes in the region at large.

Just as silk production was linked to the penetration of European capital after the Mohamad Pasha concessions of the mid-19th century, citrus production in coastal areas, followed by pome and stone fruits, would boom in the mid-1950s after the creation of the Israeli state and the discovery of oil in the Arab Gulf. Both events had the simultaneous effect of increasing export demand while at the same time cutting supply from Palestine's orchards following the Arab boycott of the (now) Israeli production.

Overview of Lebanon's agricultural policy

Pushed by the newly elected President Fouad Chehab, who undertook a series of reforms aimed at strengthening state institutions and improving socio-economic conditions in rural areas, agricultural and rural development policies were addressed for the first time in the late 1950s. The policy and institutional framework governing agricultural-based activities in Lebanon created at the time is still in place, largely unchanged, today. It includes, in addition to the MoA:

- The Litani River Authority, under the tutelage of the Ministry of Energy and Water. This authority was created in 1954 and supervised the construction of large irrigation projects including the dam on the Litani River (1959) and the connected irrigation canals, which are still not all operational today.

- The Green Plan Directorate (established 1959), an entity that could be considered as a Department for Rural Development, operating somewhat independently, though under the tutelage of the MoA. The role of the directorate is to support agricultural land reclamation projects and investment in farm-level infrastructures.

- The Office of Wheat and Sugar Beets, under the tutelage of the Ministry of Economy and Trade and the reformed *La Régie Libanaise des Tabacs et Tombacs*, under the tutelage of the Ministry of Finance (both created in 1959), were used for the provision of subsidy (coupled with production) support to farmers.

This sudden bourgeoning of autonomous administrations distributed across different ministries further worked against defining a clear policy based on a long-term strategy for rural development. Instead, what came to the fore were physical solutions and direct support to producers of non- (directly) exportable crops, at a time when demand from the Arab Gulf for Lebanese fruit production was exponentially increasing. However, although the Chehabist reforms did not define clear public policies for agriculture and rural development, they should not be discounted, and some positive effects overall on rural areas left behind from the process of economic growth and development can be identified.

Today, the state institutional framework remains essentially the same, although the role of the subsidy-based administrations has been declining. The MoA is now the major public player in the agricultural sector. However, it receives an extremely limited financial allocation – averaging only 0.4% of the national budget from 1992 to 2005.

Such a minimal share of the total budget also works against both formulation and implementation of long-term policies. Much of the MoA activity is instead conducted in cooperation with major international donors, including the Food and Agriculture Organization of the United Nations (FAO), the European Union (EU), the United Nations Development Programme (UNDP) and the Italian Cooperation. This situation has gradually set the standard for public intervention in the agricultural sector, while building the human and institutional capacities of the MoA. Furthermore, numerous initiatives, not directly linked to the Ministry, have been taken by international donors such as USAID, and other private and non-governmental actors who have been working towards upgrading and increasing competitiveness of agricultural and other rural economic activities.

Public and private interventions still remain scattered and in need of a coherent strategy and action plan that would boost rural economies and push forward the adoption of policies and regulations that can create a more vibrant and business-enabling environment.

In the mid-1970s, the Gulf market would buy 75% of Lebanese apple production, between 50% and 60% of its citrus production and around 55% of its egg production.[29] Demand from the Gulf was further boosted after the oil shock of 1973, allowing for significant mercantile capital investment downstream in the supply chain. The regional comparative advantage of Lebanese production permitted a high return on trade investment in the export of fruits and vegetables.[30] Large investments in the sector were – and still are – a source of important return and capital accumulation. This is also the case in the agro-industry where significant returns are ensured thanks to the high entry costs, which inhibit competitors. Entrepreneurs need to invest their own capital, and to have an important social network and political connections in order to reduce costs and be protected from competitors.[31]

The reliance of the agricultural sector on mercantile investment rather than investment in production technology, with a larger share of its value added going to traders, compounded Lebanon's failure to develop its rural areas. The orientation of the political economy of the Lebanese state created intergovernorate disparities in economic development, which permitted a small minority of local elites to control much of the economic life in rural areas, namely large agricultural, agro-industrial and agro-trade holdings. Some of these are directly owned by influential politicians such as Kefraya wineries, the Amiq agricultural estates, LibanLait dairy production, among others.

According to various reports on poverty in Lebanon, "inequality within governorates accounted for most of the inequality in Lebanon", whereas about 87% of inequality is due to inequality within regions.[32] In other words, the spatial distribution of inequality is not a simple dichotomy between a rich core and a poor periphery, but a more complex structure where the core and rural local elites share political power and economic wealth.

29 A. Baalbaki and F. Mahfouz, The agricultural sector in Lebanon: Main changes during the civil war, Beirut: Dar al-Farabi, 1985 (in Arabic)
30 See C. Gates, The merchant republic of Lebanon: Rise of an open economy, London: I.B. Tauris, 1998
31 F. Debié and D. Pieter, La paix et la crise: Le Liban reconstruit? [Peace and crisis: Lebanon rebuilt?], Paris: PUF, 2003
32 See UNDP and Ministry of Social Affairs, Poverty, Growth, and Income Distribution in Lebanon, Beirut: UNDP, 2008; H. Laithy, K. Abu-Ismail and K. Hamdan, Poverty, growth, and income distribution in Lebanon, Brasilia: International Poverty Centre (IPC) of the UNDP, 2008, p.34

Heterogeneity of Lebanese agriculture

High and fast capital accumulation is reflected in the distribution of land tenure as presented in Table 1. The top 10% of landlords own around 60.6% of the total agricultural land (with 1% of landlords owning around 26.5%). These figures are even more striking in regions with intensive agricultural activity such as Zahlé and West Beqaa, where 69.1% of land is owned by the top landlord decile. These agricultural lands form large holdings owned by absentee landlords, where production is focused on intensive horticulture, large-scale orchards and/or state-subsidised wheat, and in which relations of sharecropping agreements with land tenants still exist. The 10 largest private agricultural holdings in Lebanon can readily be traced to prominent politicians across sectarian divides.

On the other hand, the major part of agricultural holdings remains undercapitalised and largely fragmented – 50% of holdings cover less than 10% of agricultural land, with the lowest decile of farmers owning less than 1% of the land. Many of these holdings are still very traditional exploitations, with no access to credit and/or limited access to informal forms of money lending. Production in these holdings tends to be heavily impacted by price fluctuations, the high margins taken by middlemen and traders, high costs of production, low capitalisation and lack of functioning cooperative structures.

Table 1: Distribution of agricultural holdings in Lebanon and in the governorate (2010)

Deciles	Lebanon	Mount Lebanon	South	Nabatieh	North	Akkar	Baalbek Hermel	Zahlé and West Beqaa
Decile 1	0.7%	1.7%	0.9%	1.1%	1.3%	0.9%	0.5%	0.3%
Decile 2	1.2%	2.2%	1.3%	1.7%	2.0%	1.5%	1.1%	0.6%
Decile 3	1.6%	2.9%	1.8%	2.2%	2.6%	2.1%	1.6%	0.9%
Decile 4	2.2%	3.5%	2.5%	3.1%	3.3%	3.0%	2.4%	1.3%
Decile 5	3.0%	4.6%	3.2%	4.1%	4.3%	4.0%	3.2%	1.9%
Decile 6	3.9%	5.7%	4.2%	5.4%	5.5%	5.4%	4.4%	2.7%
Decile 7	5.6%	7.6%	5.7%	7.2%	7.2%	7.4%	6.2%	4.0%
Decile 8	8.0%	10.0%	8.2%	10.2%	10.1%	10.4%	9.2%	6.4%
Decile 9	13.4%	15.4%	13.6%	15.8%	14.9%	16.4%	15.4%	12.7%
Decile 10	60.6%	46.4%	58.7%	49.4%	48.7%	48.9%	56.0%	69.1%
Of which top 1%	26.5%	22.2%	23.7%	15.3%	19.1%	15.7%	19.7%	28.2%
Share of total agri. land		17.1%	10.1%	10.4%	10.0%	6.6%	27.3%	18.5%
Average holding size	1.5 ha	0.5 ha	1.13 ha	1.0 ha	0.9 ha	1.3 ha	2.1 ha	3.9 ha

Source: Author put together using MoA and FAO census raw data (2010)[33]

33 To do the analysis, farmers were divided into 10 equal deciles, each decile containing the same number of farmers. The deciles were ordinated according to holding sizes. Decile 1 groups the 10% of farmers with the smallest plots, while decile 10 groups the 10% of farmers with the largest plots. The analysis is done for each region. Note that only private holdings larger than 0.1 hectares were taken into consideration.

A sector in need of transition

The Lebanese agricultural sector represented around 4.5% of the country's gross domestic product (GDP) in 2013.[34] The 2010 FAO and MoA agricultural census estimated the total number of Lebanese farmers at around 170,000, which represents around 17% of the Lebanese labour force. However, the vast majority are part-time farmers, for which agriculture constitutes a second income. It is estimated that agriculture constitutes the main source of income and economic activity for only around 6.5% of the Lebanese labour force. This figure remains relatively high especially if contrasted with the fact that 5% of the labour force works in agriculture-related industries, raising the labour share of food production-related economic activities to 11.5%, while only 8% of the labour force work in the manufacturing of other consumer goods.[35]

Within this context of decreasing competiveness, the Syrian crisis and the recurrent closure of the borders as well as the risk involved with the export of products through the Syrian road channels has further increased the need for a restructuring of the production system.

Unfortunately, public institutions have shown limited responsiveness to the need to invest in upgrading Lebanon's agricultural sector. However, several innovative initiatives piloted by pioneer entrepreneurs, often supported by international donors, have emerged around the production of high-value crops (table grapes, avocado, new varieties of apple) oriented towards high-value local and international markets. They have worked on creating competitive value chains linking small and medium farmers to packers and exporters. These value chains are based on the quality standards and production techniques established by the packer/exporter in accordance with its identified high-value market demand. The packer/exporter agrees to create technical assistance schemes in which farmers would be provided with proper extension services and technology transfer assistance in order to produce high-quality products, including proper planting dimensions within a farm, proper irrigation systems and frequency, standardised and documented application of fertilisers and pesticides, pruning and thinning, as well as harvesting and post-harvesting technology.[36]

International donors and influential local stakeholders have also acknowledged the need for such restructuring of production around high-value crops and markets, and have therefore been providing significant support to initiatives working in that direction. Donor interventions in rural areas in Lebanon are significant: USAID alone has a budget that exceeds US$200 million for the next five years, for instance. Cumulatively, it can be expected that some momentum towards the needed transition in the agricultural sector will be generated. Nevertheless, these efforts have not converged into a nationwide strategy, as actors are operating in separate 'political spaces'.

34 Prime Minister's Office, Lebanon National Account 2013, www.pcm.gov.lb (website in Arabic)

35 Central Administration for Statistics, National Household Survey 2010, www.cas.gov.lb

36 Examples of such interventions are: 1) The EU Agriculture and Rural Development Programme, with a total budget of €14 million. Implemented between 2011 and 2015, the programme aims to increase capacity of the MoA, improve farmers' access to credit and improve infrastructure; 2) The USAID Lebanon Industry Value Chain Development (LIVCD) Project (2012–2017), with a budget of US$41.7 million. LIVCD aims to improve Lebanon's economic stability and generate income for small businesses, while creating jobs for the rural population, in particular women and youth. The project works with selected agricultural value chains with high export and development potential, such as apples, avocado, cherries, table grapes, honey and niche food products.

Post-civil war political economy of territories

Post-civil war neo-liberal policies associated with the premiership of Rafik Hariri reproduced a situation similar to that faced in the 1940s where economic development choices were centred on trade and finance. However, the specificity of Lebanon did not allow for a full implementation of a neo-liberal state, for the state in its structure had to play a redistributive role through its historical patron–client relationship dynamics. For instance, Rafik Hariri had to share power with political players who had interests in maintaining a large administration for their protégés.

Furthermore, the civil war divided Lebanese territory into regional cultural and political blocks under the control of the different militias, parties and/or religious communities. The territorial division went beyond that seen in the mandate or independence eras, between Beirut and Mount Lebanon and the other regions. The civil war produced a mosaic of small territories and social spaces, in which the power of the state, and the influences of the local political elite, are relative. One way to understand this posits how the state, having gradually fought for its territory, bargaining and negotiating with powerful and less powerful political elites, nonetheless was obliged after the civil war to accept in several places the coexistence and the superposition of several political spaces, i.e. several systems of power, decision-making and legitimacy.[37] This also includes the sharing of provision of basic services in health and education – and even agricultural extension services, standards development and value chain regulation and management.

As a result, the contemporary Lebanese state "has no specific agricultural policy".[38] Instead it shares this function with a series of national and international stakeholders with various levels of power and influence, each one centred in its own political – social and geographic – space. In addition, in the absence of public agricultural policies, no direct bargaining relationship or platform for policy dialogue between potential farmer organisations and the state has been established. Rather, politically affiliated stakeholders have come to play the role of the state in governing the direct relationship with farmers.

The Shouf Biosphere Reserve (SBR) is a good example. It is the largest natural reserve in Lebanon and it is politically affiliated with MP and Druze leader Walid Jumblatt. The SBR has access to several international donors, and its work is recognised as an example of best practice in the field. At the same time, it is quite apparent that the SBR is politically instrumentalised by Druze leadership to converge funds towards local rural development and valorisation of the Shouf region. It represents a clear example of how the state has given up to local entities and international donors the role of implementing agriculture and rural development policies, independently of any overarching national strategic plan. Meanwhile, MoA engagement is sporadic at best, oscillating with the agendas of international donors.

37 See Debié and Pieter, 2003, Op. cit., p.225
38 L. Garçon and R. Zurayk, Lebanon's bitter garden, Le Monde Diplomatique, 14 November 2010, http://mondediplo.com/2010/11/14lebannon

Table 2: The political space of key non-governmental actors in the agricultural sector

Organisation*	Political space
Safadi Foundation	Closely related to wealthy MP Mohammad Al-Safadi. Works with all communities in the predominantly Sunni areas of North Lebanon, Akkar and Danniyeh. Relatively good access to international donor funds.
René Moawad Foundation	Named after President René Moawad, who was assassinated in 1989. Politically affiliated with former member of parliament and minister Nayla Moawad, a member of the March 14 coalition. Works mainly with Christian farmers in North Lebanon and Akkar. Currently implementing a large USAID funded programme, BALADI, that aims to support municipal development plans in various regions in Lebanon. It thereby works as an intermediary between a major donor and local communities.
Caritas	An organisation religiously affiliated with the Catholic and Maronite Church. Works with Christian farmers in all areas of Lebanon, with higher presence in the areas of Keserwan and Deir El-Ahmar. Also implementing the BALADI programme.
World Vision	An NGO with religious affiliations to the Church. Works with Christian farmers in the South, especially in East Saida and Marjeyoun.
Jihad Al-Binaa	The development arm of Hezbollah. Works with Shia farmers in South Lebanon and West Beqaa. It is the only organisation that has been working closely with the MoA in recent years. Since 2005, the MoA has been run by a Hezbollah minister or a close ally of the party.

* The table lists the main organisations operating in Lebanon, but it is not an exhaustive list.

A further category of these stakeholders is comprised of politically or religiously affiliated NGOs that provide health, education, professional and vocational training as well as agriculture, which is typically an important part of these organisations' portfolios. They mainly provide agricultural extension services and technical assistance to farmers through training, workshops and demonstration plots. Some of them also support farmers in gaining better market access through assisting them in marketing their products, especially for export. They also manage aggregating centres and support local agro-food processing cooperatives. Although their interventions can be considered as having an overall positive impact, the relations between these organisations and the farmers are often ones of clientelism and dependency. Table 2 summarises the political space in which each of these organisations operates, and how this abandonment of centralised leadership and political action in favour of the agricultural sector feeds into further regional and identity-based division in society.

Donors differ in the design of their interventions. On the one hand, the EU, FAO, UNDP and the Italian Cooperation implement a number of targeted projects related mainly to irrigation infrastructure in marginal areas, achievement of quality standards and improvement of livelihood conditions. These donors most often work in cooperation with public agencies, which inadvertently leads them to design their interventions in accordance with Lebanese practices of sectarian and regional distribution of partners and beneficiaries. USAID has developed long-term programmes in rural areas and has dedicated large funds for their implementation. It works using a value chain approach intervening with farmers, exporters, traders, aggregation centres, laboratories, chambers, etc. It has also supported local actors in building a rural tourism sector in Lebanon as a diversification of rural economic activity. However, USAID does not work directly or coordinate its actions with the MoA. In addition, it has political restrictions against working directly or indirectly with people affiliated with Hezbollah. Therefore, and despite its integrated strategy for rural areas, in practice, its actions do not reach all communities. The agency therefore again operates within its own political space, cooperating closely with selected politically affiliated organisations, and does not end up implementing an inclusive national intervention.

In recent years, and in addition to the previously mentioned donors and stakeholders, a number of local actors have been able to break political and sectarian spaces and have piloted endogenous rural development initiatives that target small-scale farmers and producers. Examples of such initiatives are the development outreach programme led by the American University in Beirut, the Young Men Christian Association 'rural delights' cooperative network, the arcenciel network of agricultural and rural tourism networks, as well as the Mada and Greenline associations' efforts to introduce organic agriculture and support livelihoods in the Akkar area. These initiatives have not only been a way to improve poor farmers' incomes, but have also been a driver for positive social change, including creating networks, cooperatives, women's empowerment and local institutional development, all of which benefit local rural economies.

Conclusion: agriculture as a pillar of a peace economy?

Agriculture can play an important role in Lebanon's economic development. However, Lebanon's history, the choices made by its ruling class and its political divisions have led to a persistent underdevelopment of rural areas. The neglect of agriculture as well as the agro-industry cannot be economically justified and are socially unsound. The neo-liberal economic policies promoted by successive governments have impoverished a significant number of people. The fact that no serious political efforts have been made to alleviate this issue is cause for concern. Remedies occur as intermittent actions – often relying on local and international NGOs, and on associations linked to significant political interests. It seems all of this is set to continue, despite a growing body of advocacy (largely academic, with NGOs more focused on service delivery in this sector) calling for a state-led agricultural policy.

In order to create growth in rural areas and to reduce national inequalities, Lebanon has to take full advantage of its human and territorial capital, and integrate and coordinate all efforts carried by local stakeholders and supported by international donors in order to develop and implement a peacebuilding agricultural policy. Farmers should be at the centre of such a policy that needs to develop two parallel sets of actions: one directed towards the support of local rural development initiatives, and the other directed towards the restructuring of the sector into high-value crops and markets. In addition to its economic returns, such a policy would promote social and political stability and contribute to a peace economy.

Private interest closing social space? A critical analysis of Lebanon's real estate sector

Abir Saksouk-Sasso[39] *and Nadine Bekdache,*[40] *with inputs from Mohammad Ayoub*[41]

Introduction

Together with banking, the real estate sector is the main pillar of the Lebanese economy. In a 2014 CNN report entitled 'Up-and-coming cities for the rich', Beirut appeared first on the list, described as the "ideal place for adventurous real estate investors".[42] Elsewhere, this vision is promoted in local venues and advertisements. During an episode of the popular talk show *Kalam Ennas*, aired live from the real estate Dream 2014 Expo, members of the Real Estate Association of Lebanon, together with several parliamentarians, linked the sector's success to the country's favourable investment regime for the sector.[43]

In fact, liberalisation policies initiated during post-civil war reconstruction aimed to establish Beirut as a global destination for international capital and investors, in line with other urban interventions in the Arab Middle East and elsewhere.[44] The trend is driven by a vision of Beirut that aligns the city's future to the interests of Lebanese and Arab Gulf private capital. It has benefited from an array of public subsidies, such as tax exemptions and infrastructure, as well as public facilities enshrined in special regulations tailored to fit the needs and interests of private real estate companies.[45]

Furthermore, an evolving legal framework has progressively pursued urban densification and the maximisation of buildable surfaces, made possible by consecutive changes to the building law (1971, 1992, 2004) and by exceptional legislation. Commensurate policy to take into consideration other priorities around use of urban space, or issues of collective rights to urban resources, has lagged behind. According to economist Kamal Hamdan, the construction and real estate sector together attract more than 70% of the total private and public investments in the country.[46] Some argue that a taxation system that offers exemptions and tax facilities to holdings and joint-stock companies of non-nationals clearly favours wealth and capital accumulation of certain actors at the expense of the majority of citizens with limited incomes.[47]

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40 Nadine Bekdache is a practising designer and an urbanist, and co-founder of the Public Works studio. Her research focuses on socio-spatial phenomena through multidisciplinary methods. She has employed mapping and filmmaking as both a process of investigation and representation. She is also a graphic design instructor at the Lebanese University.

41 Mohammad Ayoub is founder and Executive Director of NAHNOO. In parallel to his activism work, he obtained a Masters degree in History before pursuing a diploma in Psychology and studies of Public Policy. Driven by a desire to dissolve sectarianism, he is leading several mediatised campaigns for the development of public spaces in Lebanon.

42 Up-and-coming cities for the rich, CNN Money, 6 June 2014, http://money.cnn.com/gallery/luxury/2014/06/01/rich-real-estate-cities/

43 Lebanese Broadcasting Corporation, Kalam Ennas, Special Episode about the "Dream Real Estate Expo", 26 June 2014, https://www.youtube.com/watch?v=HjbWe1DFa0M

44 S. Makdisi, Laying claim to Beirut: Urban narrative and spatial identity in the age of Solidere, Critical Inquiry, 23(3), 1997, pp.660–705

45 M. Krijnen and M. Fawaz, Exception as the rule: High-end developments in neoliberal Beirut, Built Environment, 36(2), 2010, pp.245–259

46 K. Hamdan, The real estate boom and the housing market, Paper presented at the Housing Policies, Rent Control, and Property Taxation in Lebanon: Towards a Socially Just Model of Urban Development conference, organised by the Issam Fares Institute for Public Policy and International Affairs, Konrad-Adenauer-Stiftung and the American University of Beirut, Beirut, 24 October 2014

47 C. Nahas, Necessity of land and real estate taxation in Lebanon, Paper presented at Ibid.

The growth of the real estate sector has been intrinsically associated with post-civil war reconstruction in mainstream discourse. Beirut in the 19th and early 20th centuries gained a reputation as a prosperous, cosmopolitan city, home to numerous migrants and ethnic and sectarian groups (among them Shias, Sunnis, Greek Orthodox, Greek Catholics, Maronite Catholics, Druzes and Jews). Its historic core had sustained a complex network of social relations characterised by a religious and class mix since the 1800s. Beyond the old core, Beirut's residential quarters constituted mixed populations as shown in voters' registries of the time, partially due to historical patterns of land ownership and further enhanced by the state's regularisation of the housing market through rent control, which enabled a wide variety of people (across class and religion) to access housing in different neighbourhoods. Beirut retained its reputation of openness and tolerance until the civil war. This surface of mutual tolerance was shattered as political conflicts, as well as tensions between communities, escalated in the 1970s. The capital was severely fragmented and partially demolished, its historic centre and the areas extending out from it transformed into a no-man's land between the warring factions. The result was new demarcation lines, causing significant demographic change.

After the war, a whole city had to be rebuilt. The opportunity for rebuilding the city in such a way as to consolidate peace and confidence building among Lebanon's divided communities was not, however, tackled. In the case of the reconstruction of historical downtown Beirut, damaged buildings in need of renovation were hastily levelled to the ground by Solidere (*Société libanaise pour le développement et la reconstruction de Beyrouth*), a publicly owned, privately managed real estate company. The Solidere project turned the former historic core of Beirut into a high-end commercial downtown, causing radical demographic change under the banner of building a future world-class capital city. As one scholar put it:

> *"The city center is a surface that will be inscribed in the coming years in ways that will help to determine the unfolding narrative of Lebanon's national identity … For it is in this highly contested space that various competing visions of that identity, as well as of Lebanon's relationship to the region and to the rest of the Arab world, will be fought out."*[48]

Indeed, the new identity manifested in spatial erasure was not limited to Beirut's central district. Since the mid-1990s, several waves of abrupt changes have targeted and are still targeting shared spaces in the city, replacing its residential fabric and network of open social spaces with new constructions that are believed to testify to the vibrancy of economic liberalism and a booming real estate market. Not only do these constructions reduce the significance of spatial production to economic profit maximisation, but they also prioritise profit over other dimensions of societal values – in particular, the city's social cohesion.

The direct translation of these "development policies that conceptualize real estate investment as a main source of national economic growth"[49] has been a radical reshaping of the built environment over the past two decades, as poignantly described in the brochure of the Dream 2014 Expo:[50] "projects are digging deeper and building higher than ever before, with residential towers reaching 20, 30 and even 40 floors into the urban sky..." The real estate sector has impacted not only the built environment, but also, more profoundly, citizen's perceptions of the city and of themselves. Real estate developers, architects, investors and government officials have collectively reinforced a model of urban development that is focused on a high-end/high-rise-oriented real estate market,

48 S. Makdisi, 1997, Op. cit.
49 F. Traboulsi, A modern history of Lebanon, London: Pluto Press, 2007
50 This brochure can be viewed at http://www.promofair.com.lb/exhibitions/1

in which individual and private home ownership is promoted as the only solution to housing pressure. A large portion of the Lebanese coast has been transformed into beach resorts, exclusive hotels and other private enterprises that serve only a small proportion of the population. This model of urban development is propagated as a symbol of trust and belief in the ability of the country to overcome its conflicts. Paradoxically, in the view of the authors and many stakeholders interviewed for this research, the mode of urban development linked to real estate expansion may work against the long-term interests of peace and harmony in Lebanon. It appears this mode of development is also capable of transforming the active force that is society into a group of isolated individuals, who define themselves in terms of how much they can afford to consume. Along these lines, the provision of basic rights and services, such as housing, water, electricity and open spaces are handed to private initiatives, including religious institutions and those affiliated with political figures.

Political economy profile: key players and the state

The following section examines the power dynamics at play in shaping the unfettered growth of the real estate sector, and of luxury development projects spreading across Beirut in particular.

The new constructions consist of luxury towers, the majority of which are high-end residential buildings with apartment prices ranging between US$1 million and US$4 million. These constructions have been argued to be the material traces of a global circuit of capital in which Beirut is inscribed.[51] By looking more closely at the making of these towers, several investigations have revealed that state actors and leaders of political parties have consistently been associated with this development boom. It has also become widely known that the new projects are owned, either partly or entirely, by politicians or those connected to sectarian political parties.[52]

According to one analyst, the relationship between politicians and the economic or financial elite, with interests in the construction and real estate development sector, is as old as the Lebanese Republic itself.[53] The reign of this “financial oligarchy” over the economy, and the tight connections between business activity and the political sphere, continues until today in the form of “property speculation [which] raised the price of land and imposed the construction of luxury apartment buildings”.[54]

The presence of the economic elite in the political arena intensified in the post-war era, largely as a result of the booming real estate development sector. In an economy where the construction sector is a main contributor to the country’s GDP (second only to the services sector), several real estate developers and contractors held, and still hold, prominent governmental positions, and several politicians have investments in the construction sector.[55] One family alone is alleged to own, directly or indirectly, 59 real estate companies in Lebanon.[56] Looking into publicly available

51 M. Krijnen, Filling every gap: Real estate development in Beirut, Jadaliyya, 5 November 2013, http://www.jadaliyya.com/pages/index/14880/filling-every-gap_real-estate-development-in-beiru
52 M. Krijnen and M. Fawaz, 2010, Op. cit.
53 F. Traboulsi, 2007, Op. cit.
54 Ibid.
55 Sources include: H. Achkar, The role of the state in initiating gentrification: The case of the neighbourhood of Achrafieh in Beirut, Master thesis in Ville et Paysage, Institute of Fine Arts, Department of Urban Planning, Lebanese University, 31 October 2011; and J. Chaaban, Paper presented at the Rent Control and the Politics of Eviction conference, Issam Fares Institute for Public Policy and International Affairs, Beirut, 29 October 2014
56 Najah Wakim, al-Ayadi al-Soud, Beirut: Sharikat al-Matbou’at, 1998, pp.128–139

information, it is immediately apparent that other prominent Lebanese politicians from across sectarian divides are also involved in real estate, together representing the main force driving the sector.[57] The state's lower-level bureaucrats also have their share in the real estate sector, apparent for instance when municipality members are directly involved in issuing and reviewing permits for demolition and construction.

In the case of the Dalieh seafront area in Beirut (discussed further below), real estate companies purchased the land in 1995 and are now planning a development project on the formerly public space.[58] Taking the example of one of these companies, Al Bahr, the official commercial register (provided by the Ministry of Justice) indicates that Bahr Company is owned by 13 shareholders – Irad Investment SAL Holding IIC (trading as Erad Holding Company) being the biggest shareholder. Upon tracing the registry of Erad Holding, a further 22 shareholders emerge who are affiliated with major political figures.[59] The 'silent associates' and the 'one-project companies' facilitate an opaque process whereby political actors are able to conceal their connections to some of the major projects taking place. Concealing these relationships is politically expedient particularly where controversy is generated.

The information consulted for this article confirms that the intricate ownership structures cut across all the main groups represented in government and across sectarian leaders. An overly simplistic reading of Lebanon's history may render this claim unconvincing, given the very different historical trajectories of each sectarian power group as well as the history of conflict. In an interview with one veteran activist, he explained: "Lebanon is divided into areas of influence between the main leaders, or the dominant groups. Whether directly or indirectly, they are all involved in the sector, which constitutes one solid source of capital cash flow for these sectarian political leaders."[60] This helps to finance the clientelist system on which power is based in Lebanon's sectarian society.[61] There are thus profound implications for the local political process and on democratic space in Lebanon. Given the power-sharing structures in government, the real-estate-generated wealth for the political powers is used to purchase political affiliation and reinforce sectarian groupings to preserve their own power base. Such groupings reaffirm sectarian social divisions.

Beirut's urban development – overview of stakeholder groups, interests and decision-makers

The key players involved in decision-making about public space in Beirut are the Municipality of Beirut, the National Government of Lebanon and the Directorate of Urban Planning (DGU). NGOs and experts lobbying for the preservation and reactivation of public spaces provide the most vocal counterweight.

Government
The government holds special decrees to make decisions and design laws governing public space. Within government, the minister of environment and the minister of public works and transportation are responsible for making the decisions about public spaces in Beirut.

57 Ibid.
58 Dictaphone Group, This sea is mine, 2012, http://www.dictaphonegroup.com/wp/wp-content/uploads/2013/11/SIM-booklet-compressed.pdf
59 Information about these companies is available on the website of the Ministry of Justice, http://www.justice.gov.lb/. More specifically, see http://cr.justice.gov.lb/search/result.aspx?id=1000011480 and http://cr.justice.gov.lb/search/result.aspx?id=1000001734 (in Arabic)
60 A. Darwish, co-founder of Greenline, an NGO established in 1991 and involved in documenting encroachment on public spaces, interview by Public Works on 20 February 2015 at Greenline office
61 Ibid.

Municipality of Beirut
The Mayor of Beirut, Head of the Municipal Council and representing the legislative power in Beirut is Bilal Hamad. The Governor of Beirut, in charge of the executive power, is Ziad Chebib. The Municipality makes decisions about the creation, reactivation and maintenance of public spaces in Beirut. According to tradition, the mayor should be a Sunni Muslim and the governor a Greek Orthodox. The municipal division of power in Beirut is a particular case in Lebanon, since both the mayor and the governor have a seat on the Municipal Council, and, therefore, the governor of Beirut holds both executive and legislative power. Moreover, the governor is involved in the urban planning process, as the governor signs all the construction licences, while, in other cities in Lebanon, the head of municipality fulfils this role. The Beirut is Amazing campaign launched by the mayor relies on partnerships with the private sector, wherein companies 'adopt' such spaces, renovating and administrating them. For example, Sanayeh Garden experienced a massive renovation project funded and led by the Azadea Foundation, a Beirut-based charitable arm of a major fashion retail company. Citizens of Beirut believe that public services are not able to manage and maintain public spaces. The rare public spaces left in Beirut are in such disrepair as to reinforce this point of view: the only public beach in the city, Ramlet al-Bayda, is polluted, not equipped with appropriate services and unsafe.

Directorate of Urban Planning (DGU)
Lebanon's urban planning law (Law 69) dates back to 1983. It gives the public authorities (in particular the DGU) the power to regulate the built environment and infrastructure in Lebanon. The DGU was also given the authority to set population densities in different areas, forbid construction that might negatively affect the surrounding area, protect the environment and order the acquisition of land for public purposes, among other things. Therefore, in theory, the DGU plays a big role in decision-making about public spaces, especially because it could impede projects that might affect public spaces. The DGU was meant to have an active role in the post-2006 war reconstruction, with the power to intervene in planning and preserve historic areas in line with social values. However, financial limitations and political entanglements have obstructed its ability to play an effective role in the process. According to a former president of DGU, the DGU is not playing the essential role that it could play. The DGU has in principle no specific political or sectarian affiliations; however, all its decisions have to be approved by Cabinet, if they are to hold – meaning that political factors swiftly come into play.

Civic lobby of NGOs and experts for the preservation and reactivation of public spaces
Several NGOs in Beirut and experts from the urban planning field are mounting pressure at both the local and national levels for the preservation and reactivation of public spaces. Activities include the organisation of protests, events and conferences, as well as raising awareness among the citizens of Beirut about the importance and the right of citizens to have public spaces accessible for all.

Citizens' opposition to the dominant development trend in city-making has intensified. For instance, a number of activists infiltrated the abovementioned episode of LBC's *Kalam Ennas* carrying banners with the following slogans:[62]

> *"The dream of the 3% is contributing to the nightmare of the 90%."*
> *"Eighty percent of Lebanese households don't earn the minimum required salary to get a subsidised bank loan."*
> *"The dream of our city does not lie in real estate development, but in the public spaces and open access to the sea."*

62 To watch the video of the intervention, visit www.youtube.com/watch?v=HjbWe1DFa0M (in Arabic)

These activists are not alone in their contestations. Indeed, civil society groups in Lebanon are known to be rather well mobilised vis-à-vis a variety of public issues, such as education, health and the environment. One scholar points out, however, that, until very recently, urban issues were somehow absent from the agenda of NGOs and activists: "People are rather unaware of urbanism as a professional practice and of topics related to the city, such as housing, urban services, public transportation, informal settlements… In the past decade, however, urban issues have become more and more debated in the public sphere".[63] An increasing number of youth groups and activists have voiced concerns with the ways authorities have been managing urban policies and making the future of the city. Such voices include, for instance, blogs such as *The Beirut Report*, art collectives such as Dictaphone Group, activist groups such as Stop the Highway Coalition, campaigns such as Tripoli's rejection of turning its historic al-Tal Square into a parking lot, as well as established NGOs, as the box contributed by NAHNOO elaborates further.

By investigating the impacts of the real estate sector on Beirut's shared spaces through the case of the Dalieh seafront area, and on tenants residing in life-long neighbourhoods under the old rent law, this article will further explore the responses and contestations led by citizens that have emerged in each case.

NAHNOO – NGO activism

NAHNOO started as a group of students from the suburbs of Beirut, who faced a lack of opportunities on an everyday basis, as well as the pervasive mistrust stemming from the highly sectarian society. NAHNOO – which translates from Arabic as 'us' or 'we' – organised activities and a platform for fellow students to meet, express themselves and develop skills. NAHNOO was officially registered as a non-profit organisation in 2009.

In its approach towards a country where differences are respected and citizens are treated equally, NAHNOO identified public spaces as an essential factor. Public spaces provide a venue for different social strata and sectarian groups to meet, intermingle, exchange ideas and get to know each other. The absence of public spaces reinforces divisions endemic in society, which are further perpetuated by the political class. The lack of public spaces in Lebanon is therefore regarded by NAHNOO as a crucial factor contributing to continuing social tensions within Lebanon's urban agglomerates. The exclusive approach adopted by such private control of public spaces, pushing to gentrification, affects the interests of marginalised people (for example refugees, migrant workers, etc.) who are not allowed to enter the public spaces. These affected interests marginalise the marginalised communities even further, and may even be a factor in creating support for extremist movements, as put forward in the focus groups organised by NAHNOO. It also has implications for gender relations, something that NAHNOO investigates in its work. Urban development in post-war Lebanon has failed to integrate the concept of the 'public good' through the creation of public spaces that counterbalance the divisive trends within cities and contribute to enhancing the quality of life.

To counter the increasing social divide and conflict in Lebanese urban areas, NAHNOO decided to conduct a legal and urban analysis of public spaces in three major urban agglomerations in Lebanon (Beirut, Baalbek and Tyre) – including extensive focus group discussions to understand citizens' perspectives; train teams of youth from all different backgrounds in life skills (communication, advocacy and public speaking); form community action teams and encourage young people to make action plans and set up advocacy campaigns; raise awareness about local public spaces; and pressure municipalities to reactivate public spaces by launching the following local campaigns:

63 M. Harb, Public spaces and spatial practices: Claims from Beirut, Jadaliyya, 25 October 2013

- **Bayda Ramletna** (Beirut): The rehabilitation of Ramlet al-Bayda beach as a public space; cleaning the sewage polluting it and adapting it to the needs of all.
- **Al Kalaa Bi Alb Baalbek** (Baalbek): Connecting the Temples of Baalbek to the city itself.
- **Souretna Jneinetna** (Tyre): Restoring and reopening Tyre's park.
- **Together for the Reopening of Horsh Beirut** (Beirut): Campaign to reopen the pine forest in the middle of Beirut that has been closed to the public for more than 20 years, although it has been completely restored. The municipality has responded by promising to open the park.

NAHNOO's campaigns have been well covered in all major local media outlets and also attracted international press coverage through, for example, Al Jazeera. These activities helped influence the public discourse and place the issue of public space on the national agenda. NAHNOO believes victory in the different campaigns can be demonstrative of cross-sectarian and youth-led community impact, setting a precedent in the improvement of the public space situation through civic engagement and partnership with the municipalities. NAHNOO is also part of the Civil Campaign to Protect Dalieh, to save the land of Dalieh, which has been a public watering hole for decades but is now fenced off because developers want to turn it into a private luxury marina (see case study below), as well as the Civil Coalition against the Hekme-Turk ('Fouad Boutros') Highway, which aims to stop the construction of a highway that crosses through eastern Beirut.

Development of Beirut's coast: threatening open communal spaces

In 2003, the real estate magazine *Lebanon Opportunities* published an article about investment along the coast of Beirut. The article, entitled 'Corniche coasts along', began with the following:

> *"As the thousands of Beirutis who spend the early hours of the morning walking, jogging, strolling or roller skating on the Corniche know, the stretch from Ain Mreisseh to the start of Ramlet el Baida skirts some of the most attractive pieces of real estate in the city."*[64]

The article argues that the price of land along the four-kilometre seaside drive has seen relatively little real estate activity due to the focus of investors over the past few years on Beirut Central District (BCD): "People saw many opportunities in downtown, and a momentum was created that focused on that area. The type of investor that would normally be interested in plots of land along the Corniche is exactly the same one who would be interested in the BCD." Consequently, the article argues that, in order to reactivate real estate projects along the coast, "re-zoning would catapult the value of some seaside plots … drafted legislation currently before the Cabinet would allow for plots on the seashore in excess of 30,000 square meters to be considered as part of Zone 5. If passed, the law would greatly increase that land's value."[65]

As these extracts demonstrate, Beirut's coast is seen as a prime location for investment. 'Reform' to current legislation, which prohibits any building on the seafront, has been seen as the way to increase building percentage as well as land price. Today, private beach resorts, hotels and exclusive marinas, with walls, gates and entrance fees, punctuate the coast of Beirut, hindering the access of the majority of city dwellers to the sea. A portion of these resorts was erected during the civil war, in a process of illegal encroachment on the public maritime domain. Yet the continual growth of such resorts even after the end of the war indicates a normalisation of such processes.

64 Corniche coasts along, in Lebanon Opportunities, February 2003, p.54
65 Ibid.

A look at the history of laws governing the coast of Beirut will demonstrate how the legal framework has been continually adjusted to allow and encourage such investments. However, in the view of many observers, this is at the expense of public interest. Property transformations, coupled with changes in legal frameworks, have been tailored to serve the financial elite and the real estate sector, at the expense of communal spaces of the city – and, arguably, the long-term interests of peace and harmony in this plural community.

The first wave of legislation during the early Lebanese Republic was signalled by a set of zoning codes applied to the Beirut seafront. The Beirut Master Plan issued in 1954 prohibits construction of any kind in Zone 10, an area made up of multiple seaside plots communally owned by different families. By the 1960s, Beirut was turning into a main tourist attraction in the region, and was at its most attractive towards the coast, an area of wide boulevards, palm trees and cafés on the Corniche, overlooking the sea. In 1966, at a time when the state was putting forth policies to encourage real estate development,[66] several decrees were passed to facilitate building development along the coast. Decree 4711 amended the zoning regulations for Zone 10, which stretched from the Raouché area to Ramlet al-Bayda beach. Whereas the 1954 Beirut Master Plan prohibited construction in Zone 10, the amendments permitted building activity to varying degrees. More drastically, a decree was passed in conjunction with the amendments made to the zoning regulation: a decree that transformed the nature of the entire Lebanese coast. Decree 4810 – Nizam Ishghal al-Amlak al-'Aamma al-Ba'hriyya – was issued on 24 June 1966 to allow owners of property adjacent to the sea to privately exploit the maritime public domain. It nevertheless carried with it a set of conditions related to the "common good" in case the public domain is exploited, such as offering 25% of one's property to the municipality to transform it into a public garden. Yet, when the decree was issued in 1966, it excluded Zone 10 of Beirut's Master Plan. The reason behind this exclusion was to preserve Zone 10 as a publicly accessed seafront area for the inhabitants of Beirut.[67]

These seafront properties were the result of the visions of Ottoman and later French authorities to entrust the city commons to the main families of the city, as its custodians and protectors.[68] Until the early 1990s, these properties were few and far between and held by numerous members of the so-called old families of Beirut. By the early 1990s, investors successfully appropriated these property shares, consolidated ownership and expanded over the commons through a series of laws issued specifically for this coastal condition. The Mövenpick Hotel and the Dalieh are cases in point.

Prior to the erection of the Mövenpick Hotel, the area was composed of a natural bay and rocky seashore. In 1986, a businessman from the Daher family – under the name of Merriland Company – systematically bought all shares from the multiple owners who historically owned the lands. Al-Daher, part of the financial elite at the time, was strongly connected to politicians and wartime militias.[69] Taking advantage of the civil war conditions, decree number 169 was tailored and issued in 1989 to enable the Merriland Company to build a large hotel project in the bay, contravening existing legislation.[70]

66 A. Saksouk, Dalieh, the hidden life of Raouche, Bidayat Magazine, Issues 8–9, 2014 (in Arabic)
67 A. Saksouk, al-Dalieh wal Ba'hr Lana [The Dalieh and the Sea Belong to Us], Assafir, 15 March 2014 (in Arabic)
68 A. Saksouk, The making of spaces for the public: The story of the Dalieh of Beirut, Arab Studies Journal (forthcoming 2015)
69 Dictaphone Group, 2012, Op. cit.
70 The decree abolished the article from the 1966 regulation that requires 25% of the land to be given to the public. More importantly, the decree allowed the exploitation of the public domain in Zone 10 of Beirut, when it was previously excluded from decree 4810/1966.

Decree 169/1989 continues to enable the colonisation by private development of the very few remnants of public space.[71] A more recent example is the fate of the Dalieh of Beirut: a main space for the public in Beirut. The area boasts a number of informal fishermen's kiosks, a vibrant seaside informal economy, and a steady stream of visitors enjoying the sea, picnicking, swimming, bathing and strolling. Dalieh is a prime destination for a variety of users: low- and middle-city residents, suburb dwellers, unemployed youth, Syrian and Iraqi migrant workers and refugees, and the Kurdish community that celebrates the yearly grand Nowruz festivities at the site. Two local fishing ports, one of which is famous for offering touristic boat rides along the coast of Beirut, also inhabit the area.

In 1995, and in a process similar to the making of the Mövenpick Hotel, three real estate companies (all owned by the late Prime Minister Rafik Hariri) purchased on a single day the vast majority of shares from the owners of the plots in Dalieh. According to the middleman appointed by Hariri to negotiate with the owners the selling of their shares and currently a developer himself, "Hariri envisioned the coast [of Beirut to be] covered with resorts, hotels, and yachts marinas", and that: "Such a project would attract a different type of tourist to the city through commercial activities and restaurants that were to be inserted into the area."[72]

In parallel to the land purchases, Law number 402 was issued in 1995 to enable landowners with a plot larger than 20,000 square metres to multiply the allowable percentage of construction if a hotel is to be built. This means that any investment on the seafront of Raouché has to be a multi-million-dollar investment for it to be successful. Thus, manipulations of the regulatory framework for building development in Lebanon have systematically encouraged an intensive circulation of capital, enabling private actors to take charge of planning of the city. Private capital and its demands have overthrown other priorities formerly protected by law, particularly related to the common good. Additionally, the shift in property from shared onto single ownership through political connections has played a major role in the transformation of the coast – as well as the entrenchment of political elites' power base and hence the status quo through ongoing wealth accumulation. Over time, this has led to existing communal seafront spaces and practices to be characterised and denigrated as "illegal squatting" on private land. In Dalieh, the land has been fenced off and tagged private property.

In September 2013, the companies ordered the eviction of the fishing community living in Dalieh through court orders. The fishing community protested, and direct clashes with security forces occurred. However, in March 2014, the companies succeeded in negotiating with the fishermen families (with the exception of one), compensating them with amounts ranging from US$80,000 to US$500,000, bulldozing their houses and evicting them.

A campaign has also emerged in response to these events. The Civil Campaign to Protect the Dalieh of Raouché is a coalition of individuals and organisations advocating for the preservation of Dalieh, working through legal and civil means to protect Dalieh as a shared, free and unrestricted area for the people.[73] With the slogan "Lift Your *Warshé* Off Our *Rawshé*" (*warshé* is Arabic for construction site), the campaign has sent official letters to relevant ministries, organised rallies in Dalieh, prepared legal and environmental research, and produced slogans, visuals and videos to promote this space. It also archived old photographs of the site, published press releases and filed lawsuits.

71 A 1997 report indicates that private waterfront enterprises occupy 81% of the coastline between the bay of Jounieh and Beirut International Airport. Source: E. Verdeil, Entre guerre et reconstruction: Remblais et empiétements littoraux à Beyrouth, in N. Baron-Yeles, L. Goeldner-Gianella and S. Velut (eds.), Le littoral, regards, pratiques et savoirs, Etudes offertes à F. Verger, Paris: Editions Rue D'Ulm, 2003, pp.319–335

72 Dictaphone Group, 2012, Op. cit.

73 For more on the campaign, see www.dalieh.org and www.facebook.com/dalieh.org

The right that city dwellers have acquired to Dalieh is a prescriptive right, meaning the right to become legally established or accepted by long usage or the passage of time.[74] By urging wider recognition of this prescriptive right, the Dalieh campaign is essentially battling to transform the notion of "property to exclude" into a "property to not be excluded".[75] It is in essence a struggle to maintain the users of Dalieh (fishermen, low-income city dwellers, refugees, suburb dwellers, the Kurdish community and others) as an integral part of the city. The threat posed by the real estate market to communal spaces along the coast acts as an obstacle to the process of trust building between different communities, and between these communities and the state. The real estate sector is hence indirectly hindering possibilities for social cohesion and peacebuilding, by reproducing divisions, whether along sectarian or class levels.

Ending rent control: towards mass eviction?

Beirut has been facing a severe housing crisis since the 1950s, particularly in relation to access to low-cost housing. Housing policies in the country were unable to meet increasing demands because of a set of factors: uneven development, the neo-liberal economic model and political conflicts that hampered decision-making. In the past, the state intervened in one significant way to control markets in the housing sector, through rent control; this has been its most durable form of intervention. Though rent control is at odds with the laissez-faire political economy of Lebanon, the state did regulate the private rental market through laws that placed a ceiling on the maximum yearly rent increases that landlords could enforce, at least up until 1992.[76] Having previously been the main means to access housing, these contracts, from the end of the civil war, fell out of favour. In 1992, a new rent law was approved and implemented, freeing all new rental contracts to a three-year period, while the old rent control law remained effective for all contracts signed before 1992.

The devaluation of the Lebanese currency in 1984 obliterated rents as a source of income for old landlords. In 1992, instead of addressing this situation by introducing a much needed comprehensive housing policy amidst sky-rocketing property prices, the state kept the old contracts, though problematised, as being outside the realm of the market and in contradiction to the neo-liberal approach. Truly, in today's Beirut, rent control has preserved neighbourhoods that do not typically follow old and new demarcation lines produced by religion, sect, class and political affiliation, and the spatial frontiers these produce. They are also spaces that maintain particular kinds of livelihoods; artisans, craftsmen, small shops and a variety of economically viable spaces remain richly distributed across the city and remain sustainable primarily because of rent control.

In fact, the responsibility of providing housing was transferred from the state to old owners, placing both old landlords and tenants in a position of insecurity. Though obtaining a lawful contract, tenants lived under continuous threat of displacement, marked by extra legal measures.[77] In January 2012, the collapse of a building in the Achrafieh area spurred public opinion against rent control, framing rent control laws as unjust and unconstitutional. In effect, an old parliamentary agenda dedicated to liberalising old contracts was revived.

74 A. Saksouk, Dalieh, the Hidden Life of Raouche, Op. cit.
75 A. Saksouk, (forthcoming 2015), Op. cit.
76 S. Glynn, Where the other half lives: Lower income housing in a neoliberal world, London: Pluto Press, 2009
77 N. Bekdache, Evicting sovereignty: Old housing tenants from citizens to obstacles, Arab Studies Journal (forthcoming 2015)

After the fall of the abovementioned building, the Association of Landlords, formed in 2006, led a media campaign against the old rent law, and was able to form the Syndicate and Association of Owners of Leased Property and Buildings through an order issued by the minister of labour in January 2013. A new law towards liberalisation was issued that intends to dramatically escalate the drift towards a seemingly liberalised housing market. The law, as proposed by the Administration and Justice Parliamentary Committee, was passed in just 13 minutes.[78] Significantly, no prior discussion was allowed for, contrasting with previous drafts, which saw negotiations between landlords' and tenants' committees, as well as public and media discussions.[79] For instance, the 2004 version of the law was the product of two years of work by the head of the Public Institution for Housing. It provided a rent-to-buy clause as the main condition to end rent control, while asserting a priority to enable tenants to stay in their neighbourhoods. Although Law 767 was actually issued on 11 December 2006, the decrees for its implementation never emerged.[80] The Committee to Defend the Tenants' Rights, a citizens' committee established in 1956 by active tenants affiliated with diverse left-wing political formations back then (such as the Communist Party, Socialist Progressive Party and the Communist Labor Organization), played an important role in the development of this proposed legislation. The same Committee is now deeply involved in contesting the 2014 rent law.

The real estate sector, and its links across the political spectrum, is increasingly perceived by residents and many citizens to be behind the dramatic legal turnaround. Popular resentment of the legislative shift prompted the Committee to Defend the Tenants' Rights to accuse real estate actors and banks of attempting to evict life-long residents from their neighbourhoods for the purpose of wealth accumulation. For today, prime land in the capital is blocked from real estate development by the old rent law.[81]

The new law redefined the conditions of eviction. The old rent law stipulates an eviction compensation fee that is calculated according to the price of the square metre of land in the neighbourhood. It allowed many tenants to buy an apartment in the vicinity of their neighbourhoods. With time, and with the increasing value of land, it became impossible for small landlords to pay this fee; a fact that developers have taken advantage of by buying the old landlords' properties since 1992. In the new law, the compensation fee has been dropped in favour of a gradual increase of rent values to reach market prices, which are also linked to the value of property prices and hence unaffordable to the majority of city dwellers. Compensation has, however, remained effective for tenants willing to vacate immediately, but at a much lower percentage than previously calculated. According to lawyer Nizar Saghieh, eliminating compensation for eviction is stark evidence that the law has been tailored to benefit developers.[82]

Provision of justice to long-abused landlords is put forward as the major justification of the new law.[83] However, this argument appears spurious when the bigger picture of radical changes in property ownership in inner-city neighbourhoods is taken into account, with the ownership of

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78 Sakan Beirut Blog, Repercussions of the new rent law, 3 September 2014, https://sakanbeirut.wordpress.com/ (in Arabic)

79 Drafts varied between terms for providing compensation to those evicted, mechanisms and timeframes given to bring rents in line with market values, the means for determining the socio-economic position of tenants, the possibility of inheriting old rent contracts and propositions to prioritise old tenants for renter-to-owner privatisation programmes.

80 A. Chamoun, Director General and President of the Board of Directors of the Public Housing Institute, interview by author, Beirut, 23 September 2014

81 C. Taffin, F. Roy, L. Gonnet and C. Nahas, Real estate market activity and exposure of the financial sector in Lebanon, Social and Economic Development Group Middle East and North Africa Region, World Bank, 15 June 2010

82 N. Saghieh, Head of Legal Agenda, lawyer, interview with Public Works at the Legal Agenda headquarters on 20 January 2015

83 S. el Jisr, parliamentary office Beirut, interview with authors, 18 November, 2013. El Jisr was the principal member of parliament behind the drafting of the new law, as minutes of parliamentary cabinet meetings for The Administration and Justice Parliamentary Committee from 2012–14 demonstrate. He is a member of the Future Party.

many rent-controlled buildings in reality transferred to real estate companies, sometimes to the extent of monopolising property ownership in certain neighbourhoods. Regulations introduced to the building law have also caused impediments to owners of small-sized plots. Land pooling has become a common practice for real estate companies for the purpose of building higher. This activity has transformed the urban space to the extent of alienating the older low-rise urban fabric. Compounding the number of tenants who have been targets of eviction, small landlords are thus also being pushed to sell and move elsewhere.

Many activists claim that as many as 85% of traditional landlords have by now sold their property to large investors. While this cannot be verified, anecdotally the numbers are clearly significant. In fact, the lack of census, surveys and credible studies as a prelude to making laws that affect the lives of hundreds of thousands of citizens in itself casts doubt on the integrity of legislation. The ambiguity of facts in relation to the numbers of old tenants and their socio-economic status plays a major role in diffusing discussion around the newly proposed law. In the void created by a lack of sound policy analysis and data, stereotypes are bounced across the faultlines, with old tenants often falsely represented as a homogenous category, and their claims to remain in place delegitimised. Nonetheless, it is widely estimated that over 100,000 old rent contracts are registered in Lebanon, which accounts for around half a million people potentially now facing eviction.[84]

Various committees and groups of tenants have organised multiple demonstrations against the new law. As above, the Committee to Defend the Tenants' Rights has been actively protesting, organising public seminars and lobbying with parliamentarians. These agents (the Committee, the old tenants, as well as diverse activists) have articulated concerns that do not necessarily comply with the narrow notion of "individual private property". Instead, their underlying perspective is to re-infuse in the housing discourse a necessary political dimension related to the "right to the city", addressing fundamental political questions of entitlement. The mobilisation has successfully led to 10 parliamentarians changing their position on the new law, the required number to challenge the law in front of the higher constitutional council. In response, the higher council provided a rich definition of the "Right to Housing" unavailable in previous official texts, infusing in this right a constitutional dimension.

Tenants argue that the fact that no housing policy to cater for the needs of the urban poor exists in Lebanon should in and of itself delegitimise the law. For instance, Ghassan Moukheiber, a member of the parliamentary committee, spoke out that the law was supposed to be issued with a set of other laws that targeted low-income dwellers.[85] Many old tenants are in the category of elderly people and retired with no benefits. As such, old tenants are being stripped of the only housing guarantee provided by the state, without being offered alternatives.

The issuing of the new rent law has also produced numerous local tensions. Although the validity of the law is still in debate, it has nevertheless served as a symbolic tool to exert psychological violence on tenants. Relying on a heavily contested law, landlords have been sending eviction notices to tenants, putting them in a highly vulnerable position. Additionally, the Public Prosecution of the Ministry of Justice has issued an order that allows members of the internal security to

84 Housing statistics from 2004 stipulate that there are a total of 153,361 old rent contracts. The largest numbers of old tenants reside in Beirut (43,594 contracts). Recently, the Ministry of Finance stipulated the number of registered contracts to be 100,000, while an estimated 20% are unregistered. Among these, 24,500 are in Beirut and 42,345 are in Mount Lebanon. Sixty-five percent of households make three times less than the minimum wage. Information sourced from unpublished documents of the Ministry of Finance.

85 G. Moukheiber, The legislative dimension of a housing policy in Lebanon, Paper presented at the Housing Policies, Rent Control, and Property Taxation in Lebanon: Towards a Socially Just Model of Urban Development conference, Op. cit.

help landlords raid the houses of tenants who have not allowed experts into their houses for inspection, as the new law has not yet come into effect.[86] These forms of violence are producing conflict and risk escalating the situation.

Conclusion

The state in Lebanon has directly and proactively facilitated the boom in the real estate sector, and a model of urban development that has had consequences on livelihoods, public and social spaces, and good community relations in a plural society. Individuals close to the centres of power, from different political and sectarian persuasions, are closely aligned with real estate companies and have a direct commercial interest in this model of development. Public sector failure to properly administer public issues is put forward as a rationale for ever-increasing private sector leadership in housing provision. The disproportionate power of the governor of Beirut regarding decision-making and implementing decisions concerning public spaces, and the commensurately dependent position of the DGU, provides just one example of the degradation of democratic decision-making free from sectarian and political affiliations concerning public spaces. Individual positions of state actors have consistently been aligned with large-scale construction projects that reflect the presence of personal agendas and interests in the political field, instead of representing the public interest. The property-owning elite ascertains its wellbeing through politics, and the political elite ensures its continued dominance, to a large extent, through wealth derived from property.

The political economy of the real estate sector and the model of rapid urban development driven by private sector interest alone negatively impacts conflict dynamics in Lebanon – both by shoring up a political system that is fundamentally flawed and divisive, and by sharpening day-to-day divisions between, and social exclusion experienced by, citizens. A spatial order of political difference is actively being produced through the model of post-war urban planning. Communities are increasingly divided in neighbourhoods with a sectarian majority. Given other challenges – both emanating from the legacy of the past and continued identity pressures in the present – this represents a fundamental risk factor.

This article urges attention to the messages emanating from citizens' resistance actions, which argue that the real estate 'market' is not a fair arbitrator of spatial allocation, and that alternatives exist and must be discovered. The value of space – whether a home or a communal space – in Lebanon needs to be recognised as going beyond market value to include significant social value and potential. A comprehensive land policy is urgently required to achieve social justice and cohesion in the city. By setting civic values and perspectives in decision-making about urban development as a priority, the influence of the real estate sector ought to be tempered by effective regulation and monitoring.

86 R. Hamze, the Public Prosecutor puts internal security forces for the service of landlords, The legal agenda magazine, 23 February 2015 (in Arabic), http://www.legal-agenda.com/newsarticle.php?id=898&folder=legalnews&lang=ar

The private modes of water capture in Lebanon

Dr Roland Riachi[87]

Introduction

This article highlights how the appropriation of water in Lebanon mirrors the economic structures and the political confessional system of the country, in ways that have led to a situation of inadequate service delivery, thereby fuelling civic discontent. It offers a reading of the evolution of the means of production and modes of management of Lebanon's water resource, in the context of deeper tensions and conflict dynamics in Lebanese society. These are imposed by confessional political divides, geographic disparities, urban fragmentation and recent regional upheavals. Viewed through this prism, this article will argue that water management issues take on a wider significance for Lebanon's peace and security.

The proponents of neo-liberal theory informing privatisation anticipate that liberalisation processes will work in the public interest. In the case of water, this implies that its commodification and opening to competitive pricing, as well as overall valuing of the resource, will lead to improved service. This has been on the international agenda since the 1992 Dublin Statement on Water and Sustainable Development adopted in preparation for the United Nations Conference on Environment and Development in Rio de Janeiro in June of the same year. In its Principle No. 4, it states that: "Water has an economic value in all its competing uses and should be recognised as an economic good."[88] However, this article will demonstrate how, in Lebanon, private actors have instead exploited their appropriation of water assets to reap disproportionate profits, at the expense of the public.

Inadequate network supply has persisted throughout the post-war era, despite the US$3 billion invested by the Lebanese government in the sector since the country entered its reconstruction phase. The rehabilitation of city networks, mainly in the capital Beirut, attracted the largest share of funds, while development of the infrastructure in peri-urban, rural and remote areas has been neglected. Public water infrastructure projects have been diverted through politically linked construction companies, in the absence of both a clear strategy and transparent bidding processes.[89] Privatisation came about in response to international pressure to privatise water, as an intended solution to state mismanagement of the service. These projects have absorbed international development loans granted to the Lebanese government following various assistance conferences (for example, Paris II in 2002 and Paris III in 2007).[90] Thus, external public debt has been accumulated by different government agencies commissioning works. International donors are directly implicated in a failed management process that has provided one among many venues for corruption and profiteering by the political elite.

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88 UN Documents, The Dublin Statement on Water and Sustainable Development, Paper adopted at the International Conference on Water and the Environment, Dublin, 31 January 1992, http://www.un-documents.net/h2o-dub.htm

89 R. Riachi and J. Chaaban, The distributive politics of water projects in Lebanon, Working Paper, American University of Beirut, 2013

90 R. Riachi, Institutions et régulation d'une ressource naturelle dans une société fragmentée : théorie et applications à une gestion durable de l'eau au Liban. [Institutions and regulation of a natural resource in a fragmented society: A case study for a sustainable management of water in Lebanon], PhD dissertation, University of Grenoble, 2013

This article is organised as follows. The first section discusses the state of production and usage of water in Lebanon, both for domestic and agricultural consumption (irrigation). It analyses patterns of water production both in terms of geographical characteristics and social costs. The second section discusses the legal and institutional aspects of Lebanon's water privatisation experience, as well as the evolution of the dominant discourse, which asserts large-scale projects blended with PPPs as the best solution to mismanagement. Both sections highlight Lebanese citizens' perspectives, including the resilience strategies of residents coping with poor supply, as well as instances of civic mobilisation and demand for better service.

Water commodification and the public network

The first subsection covers domestic usage of water in Lebanon, drawing on recent surveys and censuses to show routine dependency and a reliance on private water provisioning. The discussion also touches on pollution and public health hazards, and the complete deprivation of the most vulnerable from access to adequate water. The second subsection presents on the uneven development in agricultural irrigation in the country. This essentially gives an overview of the ways in which dominant large landowners' private initiatives in the use of water for export-led production in the absence of public irrigation schemes have skewed development opportunities.

Domestic infrastructure and private provider alternatives

Because of rural–urban exodus and the different flows of migration and refugees that Lebanon witnessed during the 20th century, it is estimated that 53.1% of urban residents in Lebanon live in slums.[91] More than one-third of the population is concentrated in coastal cities.[92] The Central Administration of Statistics estimated in 2009 that, out of four million Lebanese, Beirut has 10.8%, the Mont Lebanon Beirut suburbs have 27.0%, the rest of Mount Lebanon has 15.8%, Akkar and Miniyeh-Danniyeh has 8.4%, rest of north Lebanon has 9.2%, Baalbek-Hermel has 6.33%, the rest of Beqaa has 5.4%, the South has 10.4% and Nabatieh has 6.7% of the population.[93]

The rationing of public network supply is particularly acute in Beirut and Mount Lebanon, where daily water supply drops from 13 hours during the wet season to only three hours during the dry season.[94] Despite lower population density, other regions face a summer rationing that reaches an average of six hours per day and eight hours in the winter season.[95] Latest figures were collected more than seven years ago; anecdotally, it is abundantly clear that the situation has actually worsened everywhere.

With an obsolete domestic water network, most of it dating back to the 1960s, leakage is estimated to be as high as 50% on average, reaching 80% in some areas. The deficit between demand and supply for potable water has manifested itself in frequent rationing of the domestic water service.

91 United Nations programme for human settlements (UN-Habitat), Global urban observatory data, 2005. The report defines a "slum household" as a group of individuals living under the same roof lacking one or more of the following conditions: access to improved water, access to improved sanitation, sufficient living area, durability of housing, security of tenure.

92 UN-Habitat, Global report on human settlements 2009: Planning sustainable cities, London: UN-Habitat, Earthscan, 2009

93 Ministry of Social Affairs, UNDP and the Central Administration for Statistics, Mapping of human poverty and living conditions in Lebanon (in Arabic), 2004

94 World Bank, Republic of Lebanon – Water sector: public expenditure review, Report No. 52024-LB, Social and Economic Development Group, Middle East and Africa Region, World Bank, 2009a

95 World Bank, Lebanon: Social impact analysis – electricity and water sectors, Report No. 48993-LB, Social and Economic Development Group, Middle East and Africa Region, World Bank, 2009b

According to various recent surveys, three-quarters of the Lebanese household budget allocated to water is paid off-network to private vendors, primarily bottled water companies and water truck providers.[96] Those private water suppliers form a myriad of formal and informal water providers who have tapped into a lucrative market, taking advantage of service shortages. While the former are mainly local water-bottling brands or transnational corporations like Nestlé, the latter operate unofficially and illegally under the auspices of politicians and local authorities. The expenditure to off-network private sources is a necessary coping strategy for citizens, compensating for domestic drinking water network shortages that are experienced across the country. Due to service rationing and unequal provisioning between regions and neighbourhoods, water provision is at the core of geographical disparities and urban fragmentation.[97] In different regions, citizens have begun mobilising for their right to decent water supply (e.g. Nabatieh[98] in 2010; Jounieh[99] in 2011; Jdita,[100] Hermel[101] and Naameh[102] in 2012; Chmestar,[103] Bint Jbeil, Saida and Baalbek during the dry summer 2014; Baabda-Mreijeh[104] in 2015, among many others).

Lebanon has no metering system in place and residents are required to pay a flat fee that is collected by the Regional Water Establishments. In spite of the absence of consumption metering, or a correct evaluation of physical leakage, it is assessed that the actual uniform fee is able to cover all operation and maintenance costs of the water network in the country and ensure large cash flows as is the case in the Beirut Mount Lebanon Water Establishment.[105] Despite the worsening service, the flat rate for domestic use keeps rising, usually without any prior information; it increased 22% in one year between 2013 and 2014. With a flat fee meant to deliver one cubic metre of water per subscription per day, it is unsurprising that some residents abstain from paying the bill for a service that does not deliver.

A further significant consequence of poor network supply has been a boom in the practice of digging private wells. Official documents talk about 50,000–80,000 private boreholes in Lebanon, or an average five to eight wells per square kilometre, more than half of which are illegal.[106] Those are huge numbers when compared to the 650 public wells supplying most of the domestic public water network. In the 1970s, prior to the war, there were only 3,000 wells.[107] This exponential increase in the number of private wells is primarily the consequence of citizens seeking autonomy from a deficient public network, both during the civil war and in the later reconstruction phase.

Significantly, this informal practice has played an important role in consolidating political allegiances, as political parties have taken up the opportunity to drill wells, using water as a

96 Ibid; CORAIL, ICEA, IPSOS, Les Libanais et l'eau potable [The Lebanese and drinking water], Beirut: En-quêtes socio-économiques, 2004

97 É. Verdeil, C. Féré and F. Scherrer, De la rétroaction entre différenciation territoriale et modèle universel des services urbains en réseau: les enseignements du cas libanais [Feedback between territorial differentiation and universal model of urban services network: lessons from the Lebanese case], Flux, 75, 2009, pp.27–41

98 See http://www.khiyam.com/news/article.php?articleID=10164 (in Arabic)

99 See http://www.kesserwen.org/n/news.php?id=942 (in Arabic)

100 See http://www.al-akhbar.com/node/98451 (in Arabic)

101 See http://admin.alnour.com.lb/newsdetails.php?id=36253 (in Arabic)

102 See http://www.alkalimaonline.com/article.php?id=88662 (in Arabic)

103 See http://www.lbcgroup.tv/news/159453/%D8%A7%D9%87%D8%A7%D9%84%D9%8A-%D8%B4%D9%85%D8%B3%D8%B7%D8%A7%D8%B1-%D9%8A%D8%B9%D8%AA%D8%B5%D9%85%D9%88%D9%86-%D8%A7%D8%AD%D8%AA%D8%AC%D8%A7%D8%AC%D8%A7 (in Arabic)

104 See http://www.lebanonfiles.com/news/850009 (in Arabic)

105 World Bank, 2009b, Op. cit.

106 See World Bank, Republic of Lebanon, Policy Note on Irrigation Sector Sustainability, World Bank, November 2003; World Bank, 2009a, Op. cit.; Ministry of Energy and Water (MoEW), National water sector strategy report, 2010; MoEW and UNDP, Groundwater assessment and database project, Final Output (unpublished), 2014; MoEW and the Lebanese Center for Water Management and Conservation, Lebanon environmental assessment of the Syrian conflict and priority interventions, cited in Ministry of Environment and UNDP, 2014, Op. cit.

107 Council for Development and Reconstruction, Development program horizon 2006–2009, Consortium with Dar al-Handasah, 2005

socio-communitarian service, especially in peri-urban and remote areas that lack complete state intervention.[108] Inadequate state performance in managing the water sector thus feeds into fragmentation in the wider socio-political space.

A study carried out by the World Bank in 2004 estimates the overall social costs of environmental degradation to Lebanon at 2.8–4% of the GDP, of which 1–1.2% is due to bad water quality.[109] A more recent World Bank report estimates that the total cost of water mismanagement in Lebanon is 2.8% of GDP per year.[110] The largest part of this is the private opportunity costs that amount to 1.3% of the GDP (US$308 million). This equates to the domestic expenditure on off-network water supply, costing households 75% of their total budget allocated to water supply and inhibiting investment in other basic needs, health, education and household production. The most prominent sources of private water supply, in terms of expenditure share, are, by far, private bottled water with 51% (gallons, 35% and small water bottles, 16%), followed by delivery trucks (21%), artesian wells (2%) and private networks (1%).

Many claim that access of Lebanese to water has worsened since war erupted in Syria in 2011, with more than one million additional refugees fleeing to Lebanon. The issue of the Syrian refugee influx and related pressure on Lebanese resources has become politically polarised, with its actual impact exaggerated in xenophobic and nationalist discourses. According to a World Bank report, the additional estimated water demand is equivalent to 26.1 million square metres per year, or only 7% of the pre-crisis domestic water demand.[111] In addition to this apparently low figure, there is the acute need of refugees to get sufficient access to water. According to a recent United Nations Children's Fund survey, "the rate of diarrhea during the last two weeks before the assessment found this year was lower than the diarrhea rate observed last year (24.9% in 2013 compared to 40.2% in 2012)".[112] Not to mention their housing conditions with 40% of Syrian refugees living in inadequate substandard shelters; among these, 15% are in tented settlements.[113]

Private irrigation initiatives in Lebanon's agricultural economy

Lebanon's rural areas are home to about 13% of the country's population. Based on a study by the UNDP,[114] about 28.5% of the Lebanese population lives below the upper poverty line of US$4 per day; 8% are under the lower poverty line of US$2 per day. Poverty is prevalent in the main rural mohafazats. In 2006, the incidence of rural poverty was highest in North Lebanon (52.5%), followed by South Lebanon (42%), Beqaa (29%), Mount Lebanon (19.5%) and Nabatieh (19%). Agricultural activity has the highest poverty rate among the economic activities of the country, with an average monthly income of US$288 and a median income of US$300, half the national averages. Under these conditions, 67.5% of farming households are poor, lacking medical coverage and have limited access to education and public infrastructure (electricity, drinking water and sanitation).

108 R. Riachi, 2013, Op. cit.
109 M. Sarraf, B. Larsen and M. Owaygen, Cost of environmental degradation – The case of Lebanon and Tunisia, Paper No. 97, Environmental economics series, Washington DC: World Bank, 2004
110 World Bank, 2009b, Op. cit.
111 World Bank, Lebanon – Economic and social impact assessment of the Syrian conflict, Report No. 81098-LB, World Bank, 2013
112 O. Hamza, 2013 Joint nutrition assessment: Syrian refugees in Lebanon, Beirut: United Nations Children's Fund, 2014
113 United Nations High Commissioner for Refugees (UNHCR) and UN-Habitat, Housing, land & property issues in Lebanon: Implications of the Syrian refugee crisis, Beirut: UNHCR and UN-Habitat, 2014
114 H. Laithy, K. Abu-Ismail and K. Hamdan, Poverty, growth, and income distribution in Lebanon, Brasilia: IPC of the UNDP, 2008

One-third of Lebanese territory is arable land (3,300 square kilometres) and one-quarter of the country is cultivated (2,310 square kilometres). In 1950, it was estimated that agricultural production contributed 20% of the GDP: this has dropped to less than 5% in recent years. According to the most recent general agricultural census conducted in 2010–11, half of the cultivated lands are irrigated.[115] Irrigation in Lebanon uses 65–70% of total freshwater consumed annually. Permanent crops represent 54% of cultivated lands (fruit trees and olive trees), followed by seasonal crops with 44% (among them 20% for cereals) and greenhouses at 2%.

In the first general agricultural census conducted in 1961, cereals were predominant and represented 39% of the total cultivated lands; this has progressively decreased to 25% in 2007 and 20% in 2010. In the 1998 census, 53,000 hectares of previously cultivated wheat were reported as abandoned in addition to around 100,000 hectares of terraced lands. This transformation is mainly due to the shift towards high-value and water-intensive crops that shaped the agronomic landscape of the country during the last decades. The same sources estimate land area with fruit trees to have progressively gained the first rank, representing one-third of the total cultivated lands. This specialisation in high added-value crops has led to high rents per surface when compared to neighbouring countries. The productive value of Lebanese land averages at US$280,000 per square kilometre, which is six times as high as in the Syrian Arab Republic and 11 times that in Jordan.[116]

In 2010, 68% of farms were recorded as smaller than one hectare, representing 18% of the total agricultural lands.[117] Conversely, farms of more than 10 hectares represent 2% of holders, but 33% of the total agricultural lands. These figures reveal the polarisation of investment capabilities and explain developments in land irrigation, with investment in irrigation infrastructure clearly more favourable to large farms. This is due to the uneven coverage of public irrigation infrastructure and to the absence of small and medium farm cooperatives. The use of pumps for the capture of rivers or aquifers strongly depends on the size of farms. According to data from the census, motor pumps began to be used at farms of more than five hectares and above, and their use gradually increased with farm size. Only 10% of farms smaller than 50 *dunums* (five hectares) were equipped with pumps, as compared to over 60% for farms of more than 200 hectares. While small farms are more likely to be irrigated than medium farms, large farms constitute most of the irrigated lands.[118]

Lebanon produces double the quantity of its needs for fruits and vegetables.[119] A lucrative intensive export production destined for Gulf countries and subsidised by the government dominates the agricultural sector, while profiting only a couple of dozen regional landowners and wholesalers. These agri-businesses account for almost one-third of the country's hydric use. Thus, the size of irrigated land has expanded from 40,000 hectares in the 1950s to its present 120,000 hectares. A line can be traced from the days of Chehab's *Office des Fruits* to the recent Export Plus and Agri Plus programmes, respectively funding transport and packaging, whereby big landowners and dozens of merchants have been offered control of the local and export markets through those subsidy schemes. This is a good example of how economic planning in Lebanon responds to the privileged influence of politically affiliated businesses able to leverage favourable policies as, in this case, formal market subsidy schemes.

115 MoA and FAO, Agricultural census in Lebanon report (in Arabic), 2012

116 Calculated using the World Bank's World Development Indicators 2009; agricultural national production values divided by agricultural lands.

117 Ninety-one percent of farms are less than four hectares and represent half of the total agricultural land. MoA and FAO (2012) Op. cit.

118 Info analysed using the census.

119 R. Riachi, 2013, Op. cit.

If agriculture in Lebanon consumes two-thirds of the country's freshwater, it is worth noting that half of this then leaves the country to go to Gulf countries as fruits and vegetables. This represents 25–30% of the total national water consumption. In 2011, the Arab Fund for Economic and Social Development started funding the largest irrigation scheme, the Canal 800. This may even be described as a silent water-grabbing exercise, in contrast to the better-known land-grabbing situations in Africa and Latin America. This intensive production trend suggests that there is a crucial trade-off to make between a lucrative export market and domestic water needs. The reality appears to be by far in favour of the market.

In parallel to Canal 800, in 2011 and again using the Litani's water, the Greater Beirut Water Supply Project was launched, funded by a World Bank loan. Having those two projects implemented together places a great strain on a river system that is already facing severe depletion in the quantity and quality of its waters. With barely one-third of buildings connected to a sewage network and with existing wastewater treatment plants that have never been operational, aquifers and rivers became dumping sites. Are Beirut residents aware that they will be supplied by a river whose stream is essentially an open-air sewage conveyor?

There is a severe overestimation of the feasibility of dams in Lebanon. Chabrouh Dam is, for instance, leaking more than 200 litres per second because of the highly permeable karst that characterises the site, an extremely high rate of loss for a dam of its size.[120] The same applies for Janna Dam on Nahr Ibrahim where studies show that the infiltration rate, caused by the construction of the dam, will reach Jeita spring, supposedly on another basin.[121] Despite those studies, the project is fiercely defended by the former minister of energy and water, who pork-barrelled two other controversial dams (Balaa and Mseilha) to supply his constituency. Another surface reservoir completed after 12 years of works in Brissa in Akkar in 2013 has never successfully filled up because of karst. This type of calcareous and porous limestone characterises two-thirds of Lebanese geological formations – a fact that was not considered by the original mandate era and Point IV studies, due to limited hydrogeological science considerations being taken into account.[122] Five additional dams are under construction. Each has attracted both political interference, as well as opposition from local stakeholders (e.g. farmers working on Saints Sarkis and Bakhos monastery lands in Nahr Ibrahim), municipalities (e.g. Chatine, Hammana[123] and neighbouring municipalities) and ecological NGOs (e.g. Lebanon Eco Movement),[124] claiming to halt construction and to forego environmental and social impact studies by independent bodies.

The same types of large-scale projects have also been proposed in the so-called BlueGold Lebanon plan[125] that was initiated by the Civic Influence Hub. A large media campaign accompanied the launching of the project, which was endorsed by politicians, bureaucrats, industrialists and businessmen (particularly bankers, advertising companies, bottled water companies and fuel providers). Controversy has surrounded the project, related to a rivalry between the resigning director general of the electric and hydraulic resources directorate at the ministry, acting with BlueGold, and the former minister of energy and water who is behind the National Water Sector Strategy. The BlueGold plan was countered by a citizens' campaign, Water Not for Sale,[126] which interrupted its advancement.

120 B. Jaoude et al., Understanding the leaks in Chabrouh Dam through detailed hydrogeological analysis of the Qana Plateau (Lebanon), in F. Carrasco et al. (eds.), Advances in Research in Karst Media, Springer Berlin Heidelberg, 2010, pp.407–413

121 A. Margane, Quantification of infiltration into the lower aquifer (J4) in the upper Nahr Ibrahim Valley, Document de Travail, German-Lebanese Technical Cooperation Project Protection of Jeita Spring, Hannover: German Federal Ministry for Economic Cooperation and Development, Federal Institute for Geosciences and Natural Resources, 2012

122 H. S. Edgell, Karst and hydrogeology of Lebanon, Carbonates and Evaporites, 12(2), 1997, pp.220–235

123 See https://www.facebook.com/SaveHammana

124 See https://www.facebook.com/LebanonEcoMovement?ref=br_tf

125 See http://bluegoldlebanon.com/

126 See https://www.facebook.com/waternotforsale

While there are abundant examples of competing private interests linked to political actors steering outcomes related to damming projects, the private sector model is still advocated as the mainstream solution to water management problems. The capacity of state water management authorities is vastly depleted following retrenchment during the period of structural adjustment programmes, which saw staffing reduced by up to 80%.[127] Law 221/2000 merged 21 local water offices that were historically managing the water service over the last century into four Regional Water Establishments. Following the introduction of new public management principles, this new composition by recentralisation enables transnational water companies to operate geographically under PPPs.

Responsibilities in the water-related public authorities in Lebanon are highly fragmented and overlapping. Both the 221/2000 reform and the recent National Water Sector Strategy adopted in 2012 seem to have added confusion in the responsibilities and management of the sector. Despite institutional and legal confusion, neo-liberal policy messaging in favour of Integrated Water Resources Management and PPPs belies the reality that the public water management was systematically impoverished by the different modes of water privatisation in Lebanon.

Conclusion

Instead of focusing on building a functioning national administration and resolving key legal, technical and personnel issues, politicians, high-ranking engineering bureaucrats and international development banks continue to prioritise expensive large-scale white elephant projects to address water deficits in Lebanon. This bias towards technical engineering solutions that advocates for damming all Lebanese rivers overshadows legal pluralism and its relation to private property, as well as, crucially, distributive politics that impose the uneven allocation of water resources in the country. Universal access to water for Lebanese citizens and residents has so far been held hostage to the confessional patronage networks in Lebanon, which directly shape powerful interests in attaining control of the water supply. This is not without impact on conflict dynamics, where water is used in nationalist sovereignty narratives; when large dam projects generate opposition because of their feasibility controversies, their high risk posed to the environment and their financial burden on the country's public budget; and while small farmers start showing discontent because of uneven access to means of irrigation. Citizens' anger is becoming ever more marked in response to worsening water service conditions. The exclusionist aspect of decision-making in Lebanon makes it very difficult to generate a dialogue between officials and citizens outside of the political spectrum. Ultimately, the solution lies in a necessary radical reform of the country's democratic system, as confessionalism has proved itself incapable of accommodating the most basic subsistence need of the Lebanese citizens: water.

127 MoEW, 2010, Op. cit.

"Switzerland of the Middle East": A case for more inclusive banking

Georgina Manok,[128] with inputs from Dr Jad Chaaban[129] and Dr Mounir Rached[130]

Introduction

Banks are widely considered a cornerstone of the Lebanese economy and one of the country's most profitable sectors. Lebanon, a small, dependent and open economy, houses a very large banking sector, in relation to its size. The reconstruction phase that followed the civil war was financed through local banks, and the government accumulated a large debt that continues to burden its economy. While, ideally, this debt should have yielded strong infrastructure and public services, Lebanon still suffers from major weaknesses in both these areas, stemming from mismanagement of the country's resources and perpetual political deadlock.[131] Twenty-five years after the civil war, Lebanon continues to struggle to achieve security and political stability, and suffers from a huge debt burden reaching 145% of its national income, weak infrastructure and rising social inequities that may render the current economic system unsustainable.[132]

As a result of this borrowing policy, banks have become the prime creditor of the government and its main agent. Lebanon has become a country of wealth transfer with the government trading real income for financial liability: its debt. This has negative consequences for other parts of the private sector, with government in effect crowding out the private sector as a banking client. It also leads to an overly powerful influence of the banking industry in public policy, which, given the presence of political figures in ownership structures of banks, presents further challenges. This article provides an overview of the banking sector in Lebanon, shedding light on its main features and impacts on public policies, particularly the recent struggle for fairer wages. It concludes with key recommendations for stakeholders to increase the inclusiveness and effectiveness of the sector.

Brief historical background and current status

The banking sector has been growing steadily since the 1960s, spurred by several factors both pre- and post-civil war. These include its geopolitical location that has allowed it to play an intermediary role among neighbours in the region; the large Lebanese diaspora, which sends high levels of remittances; and a surplus of Arab financial wealth.[133] Additionally, Lebanon enjoys freedom of capital movement, compared to that available in neighbouring countries such as Syria or Egypt, as well as bank secrecy that protects the privacy of its depositors.[134] In more recent years, Lebanon's debt has generated a large spread between US dollar rates and Lebanese pound rates to around three percentage points to the dollar, making depositing money in Lebanon attractive to investors.

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131 A. Sadikov et al., Lebanon: Selected issues, Washington DC: IMF, 2012, p.30, https://www.imf.org/external/pubs/ft/scr/2012/cr1240.pdf

132 IMF, Lebanon 2014 Article IV consultation – Staff report; press release; and statement by the executive director for Lebanon, Washington DC: IMF, 2014, p.38, https://www.imf.org/external/pubs/ft/scr/2014/cr14237.pdf; see also: H. Laithy, K. Abu-Ismail and K. Hamdan, Poverty, growth, and income distribution in Lebanon, Brasilia: IPC of the UNDP, 2008, http://www.ipc-undp.org/pub/IPCCountryStudy13.pdf

133 S. Nasr, Backdrop to civil war: The crisis of Lebanese capitalism, MERIP Reports, 73, 1978

134 The banking sector has increasingly complied with several international regulations relating to anti-money laundering and tax compliance that affect the status of bank secrecy and its future prospects.

Even before the eruption of the Lebanese civil war in 1975, the excess in banking resources, against the country's inability to assure the development of social and physical infrastructure, have been paradoxical features of the Lebanese economy.[135] In the 1980s, the country experienced hyperinflation, as the national currency depreciated against the US dollar, which increased by extensive government financing from the banking sector and infusion of liquidity as the government lost its main sources of revenue, the ports and profitable enterprises. Following the end of the Lebanese civil war, and in an attempt to control rising inflation rates, Lebanon adopted a fixed exchange rate policy to stabilise the value of the dollar at around 1,500 Lebanese pounds (LBP). Price stability was declared a major objective by the Lebanese Central Bank (BdL) to contain inflation, and the fixed exchange rate policy has been in place ever since.[136] While the fixed exchange rate policy served in providing and assuring financial stability, it came with a high cost to competitiveness of the economy. As we witness today with the appreciation of the dollar globally, the Lebanese pound accordingly appreciated at the same rate, which has impacted the country's exports and also switched local demand to a greater extent to imported goods and services.

The banking system currently comprises 56 commercial banks, 16 investment banks and 55 financial institutions.[137] Banks are represented in branches all over the country and abroad. Trends clearly portray growth in banking presence especially in rural areas. Table 3 presents an overview of the growth in commercial bank branches across several governorates between 2005 and 2014. Lebanese banks are also present in several neighbouring countries and have some European presence. It is worth mentioning that the recent events in the region have had an impact on those Lebanese banks with presence in many neighbouring countries facing mounting insecurity, particularly Syria.

Table 3: Growth in commercial bank branches, 2005–2014[138]

	2005	2008	2011	2014
Total number	54	53	54	56
o/w foreign banks	10	9	12	14
Number of branches	825	885	948	986
o/w foreign banks	38	29	31	31
Beirut and suburbs	449	469	507	529
Mount Lebanon	147	154	178	187
North Lebanon	82	86	97	98
South Lebanon	86	91	100	106
Beqaa	61	61	66	66
Lebanese Banks Branches Abroad	21	34	42	51

135 S. Nasr, 1978, Op. cit
136 LEA, Understanding inflation and revising national price data, 2012, Lebanon, http://leb-econ.org/site/wp-content/uploads/2012/11/Lebanon-Inflation-Report.pdf
137 Banque du Liban (BdL), 2015, http://bdl.gov.lb/downloads/index/9/148/Quarterly-Bulletins.html
138 BdL, Statistical annex, various years, http://bdl.gov.lb/downloads/index/9/148/Quarterly-Bulletins.html

The Alpha banks of Lebanese banks, according to BANKDATA, comprised 14 major banks with over US$2 billion deposits.[139] These 14 banks own around 93% of the banking sector's assets,[140] with the top three banks alone owning 50% of the market share.[141] Total assets of these 14 banks grew from US$166.34 billion in June 2013 to US$184.42 billion in June 2014.[142] In 2014, profits of the top three banks in Lebanon (Blom Bank, Audi Bank and Byblos Bank) amounted to US$891.47 million. It is also worth noting that 0.05% of Lebanese citizens control US$34 billion of bank deposits, and 2% of bank accounts dispose of 70% of the total bank deposits in the country.[143] All figures below show a positive growth between 2013 and 2014 in spite of the tough economic conditions of the country.

Overall monetary indicators are collected and published periodically on the BdL's website. A summary of the selected indicators is provided in Table 4. Two important characteristics of Lebanon's banking industry leap out from these data: (i) the huge scale of commercial bank assets overall; and (ii) the high level of government lending by commercial banks (claims on public sector), which point to the close relationship between banking and the state, discussed further below.

Table 4: Key monetary and banking indicators 2013–2014[144]

	June 2013	June 2014
BdL assets	115,923,364	124,715,036
Currency in circulation	3,155,901	3,312,827
Foreign currencies	47,811,738	51,026,152
Commercial bank assets	238,101,604	255,627,083
Claims on private sector	59,372,527	65,854,218
Claims on public sector	49,421,241	57,257,463

Lebanese banks can also be characterised as conservative and risk averse. While such practices helped banks avoid global and other shocks such as the financial crisis of 2008, the opportunity cost of holding this high level of liquidity is very high. Figure 1 compares the ratio of loans to deposits in Lebanon to that in the Middle East and the North Africa region as a whole, other emerging markets and the world average. The figure depicts the highly conservative nature of Lebanese banks and the large untapped potential of available liquidity in banks. Additionally, the portion of deposits that ends up being extended as credit is geared towards the services sectors and housing loans. If the credit extended for housing loans in 2014 (see Table 5) is compared to the sum of loans extended in the same year to all of the agriculture, industry, trade and services sectors, it is evident that the share of housing loans surpasses the combined share of these sectors.

139 BLOMINVEST Bank Research Department, Top Lebanese banks in H1 2014: Surviving the governing chaos with confidence, Beirut: BLOMINVEST Bank, 2014, http://blog.blominvestbank.com/wp-content/uploads/2014/09/2014-9-Top-Lebanese-Banks-in-H1-2014-Surviving-the-Governing-Chaos-with-Confidence.pdf
140 Ibid.
141 F. Traboulsi, Social classes and political power in Lebanon, Beirut: Heinrich Böll Foundation – Middle East, 2014, http://lb.boell.org/en/2014/05/04/social-classes-and-political-power-lebanon
142 BLOMINVEST Bank Research Department, 2014, Op. cit.
143 S. Nasr, The new social map, in T. Hanf and N. Salam (eds.), Lebanon in limbo: Postwar society and state in an uncertain regional environment, Baden-Baden: Nomos Verlagsgesellschaft, 2003
144 BdL, Statistical Annex, various years, http://bdl.gov.lb/downloads/index/9/148/Quarterly-Bulletins.html

Figure 1: Loans to deposits ratios in 2013[145]

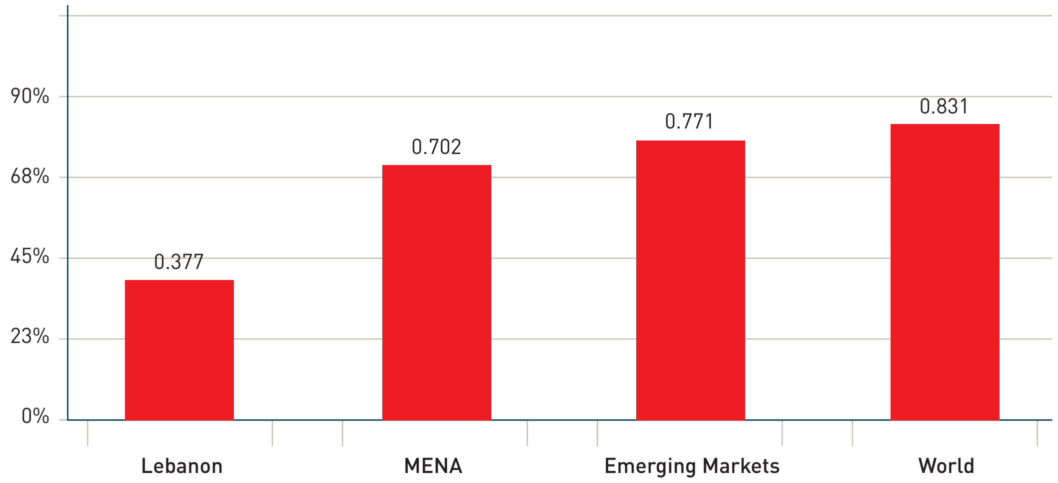

Table 5: Distribution of credit by sector[146]

	2010	2011	2012	2013	2014
Agriculture	0.79%	0.87%	0.85%	0.88%	0.90%
Industry	3.27%	3.46%	3.40%	3.34%	3.34%
Construction	1.51%	1.50%	1.61%	1.67%	1.68%
Trade and services	12.14%	12.63%	12.56%	12.68%	12.69%
o/w real estate, rent and employment services	2.83%	3.13%	3.20%	3.08%	3.02%
Financial intermediation	0.79%	0.65%	0.70%	0.69%	0.69%
Others	3.82%	3.43%	3.88%	4.00%	4.05%
Individuals	77.68%	77.67%	77.01%	76.74%	76.66%
o/w housing loans	17.67%	17.74%	17.86%	18.13%	18.23%

Sector governance and oversight

The BdL was established in 1963, and its mission is to safeguard monetary and economic stability, as well as the soundness of the banking sector.[147] In addition, BdL's mission includes the development of money and financial markets, and the development and regulation of payment systems and instruments, money transfer operations including electronic transfers, and the clearing and settlement operations relative to different financial and payment instruments and marketable bonds.

The BdL governance system is composed of the governor and vice governors, and the central council. Upon the proposal of the minister of finance, the governor, legal representative of BdL, is appointed by a decree sanctioned by the Council of Ministers for a renewable term of six years.[148]

145 Produced using data from Bankdata Financial Services wll, BdL, Fitch, Bank Audi Research Department
146 BdL, Statistical Annex, various years, http://bdl.gov.lb/downloads/index/9/148/Quarterly-Bulletins.html
147 BdL, About Banque du Liban, 2015, http://www.bdl.gov.lb/about-banque-du-liban.html
148 BdL, The governing body, 2015, http://www.bdl.gov.lb/pages/index/1/239/Governing-Body.html

After the consultation with the governor and upon the proposal of the minister of finance, the vice governors are appointed by a decree sanctioned by the Council of Ministers for a renewable term of five years. It is worth noting that these jobs, as with other high-ranking jobs in the country, are subject to sectarian reservation. The governor position is traditionally reserved for a Maronite and the four vice governor seats are traditionally reserved to the following sects: Shia, Druze, Sunni and Armenian. BdL grants licences for establishing banks, and the Banking Control Commission (BCC) controls and supervises these institutions. Additionally, conferring with the Association of Banks (ABL), the BdL issues circulars and resolutions governing the relations of banks with their customers.[149]

The Central Council, on the other hand, sets the monetary and credit policies of the BdL, including money supply, as well as discount and lending rates. The members of the Central Council are: the governor (chairman), the four vice governors, the director general of the Ministry of Finance (ex officio but strictly as a member of the Council) and the director general of the Ministry of Economy and Trade (also ex officio but strictly as a member of the Council).[150]

Banks submit periodic statements to the BdL, including reports on the portfolio of Treasury bills, monthly reports on customer deposits and inter-bank deposits. Audited financial statements are also required. The BCC produces reports on the profitability of banks in order to assess eventual anomalies and take the required corrective measures. The BCC thus has wide control powers. It has the duty to permanently inform the BdL's Central Council on the status of operating banks. It is also required to defer to the Central Council for a number of matters, ranging from simple advice to the replacement of a director.[151]

Banks established an industry association: the ABL in 1959.[152] As per the ABL bylaws, every bank in the list of banks set up by the BdL has the right to join the ABL. The main objective of the association is to strengthen cooperation among member banks, and its key mission is to "effectively promote the interests and public image of the Lebanese banking sector". It has been a leading contributor to public policy debates and legislation, in particular those related to the financial sector.

Role of government in banking management

The government assigns the governor, and the minister of finance nominates the vice governors. In addition, the government is formally represented at the BdL's governance structure through the Central Council, which includes the director general of the Ministry of Finance and the director general of the Ministry of Economy and Trade.[153] This ensures regular coordination between the BdL and the government to provide consistency and cooperation on fiscal and monetary policy measures. This coordination also helps build a sound relationship between the government and international financial institutions.[154]

While the formal government presence in the BdL is through the Central Council, an informal governmental control has taken place historically through ownership of many banks by MPs

149 BdL, Role and functions, 2015, http://www.bdl.gov.lb/pages/index/1/137/Role-and-Functions.html
150 BdL, The governing body, 2015, Op. cit.
151 BdL, Committees and Commissions, 2015, http://www.bdl.gov.lb/tabs/index/1/141/Committees-&-Commissions.html
152 See http://www.abl.org.lb
153 BdL, The governing body, 2015, Op. cit.
154 Ibid.

in particular. The prominent scholar Fawwaz Traboulsi provides a detailed mapping of bank ownership of Lebanese politicians including former prime ministers, ministers and MPs, in addition to linkages with presidents and financing electoral campaigns, where he argues that "banks are the chief creditor of a bankrupt state, struggling through on a life support of Gulf and international aid". This relationship poses an unhealthy conflict of interest in managing the banking sector and enacting any related legislations. The political economy of the pro-finance policy bias reveals "the congruence of interests between the state and commercial banks in conducting such a policy… The central bank [has been] … historically … instrumental in mediating between the interests of the state and the interest of commercial banks."[155]

Financing of government debt

As above, the post-war reconstruction was mostly funded by internal national debt, which contributed to the recapitalisation of the banking sector after the war, increasing its profit.[156] This was made possible through issuing treasury bonds with interest between 20% and 42.5% during the 1990s.[157] This had drastic effects on investments in productive sectors that were crowded out with these abnormal rates.

An analysis of the evolution of national debt reveals a jump from US$14 billion in 1998 to over US$65.97 billion by the third quarter of 2014.[158] Recently, local currency debt accounts for around 60% of the total debt and is mainly held by commercial banks (52.7%), the BdL holds 29.9% and the remaining 17.4% is financed by the non-banking sector.[159] Through speculating on the state debt, a small minority of banks and individuals, in Lebanon and abroad, secured enormous profits.[160] It is worth noting that, in September 2006, the first quarterly figures following the 2006 war showed a 40% annual increase in declared banking sector profits, reaching US$516 billion.[161]

These dynamics translated to increasing impacts of state expenditures on banks. In effect, any change in the ratings of the Lebanese government stemming from its inability to repay its debt translates directly on ratings of banks due to their high level of involvement in public sector financing. The risk is that this structural relationship renders banks biased actors in policy debates in the country.

Banking industry lobby against the Labour Union movement for fairer wages

One example where the banking sector became involved in wider social policy issues in recent years, arguably as a direct result of its high level of influence and strong relationship with the public sector, is its significant influence in obstructing adjustments to the wage scale.

155 G. Dibeh, The political economy of postwar reconstruction in Lebanon, Research Paper No. 2005/44, Helsinki: United Nations University World Institute for Development Economics Research, 2005
156 F. Traboulsi, 2014, Op. cit.
157 Ibid.
158 Ibid.
159 Ministry of Finance, Publications, 2015, http://www.finance.gov.lb/en-US/finance/ReportsPublications/DocumentsAndReportsIssuedByMOF/Documents/Public%20Finance%20Reports/Monthly/Public%20Finance%20Monitors/2014/PFM-Dec%202014-Final.pdf
160 F. Traboulsi, 2014, Op. cit.
161 Ibid.

Background
The decade following the civil war revealed its destructive impacts on workers' living conditions and purchasing power as well as the institutions governing their rights. The 1990s saw a series of nationwide demonstrations by labour unions in the country, which peaked in 1995. Clashes intensified with the government, which sought control over the unions and repressed and interfered in their work. Since 2001, the GLC has had a more peaceful relationship with the government presided over by new management that has been characterised by a series of breaches to labour rights and strong relationships with the political elite and reflection of their will against that of workers in Lebanon. A survey of key union leaders in Lebanon evaluating GLC's performance serves as a proxy to the stakeholders' opinions around GLC's governance and independence. Sixty-eight percent of the respondents thought that the GLC was not independent, while 70% attributed GLC's stagnation to political and party interventions.

Ninety-five percent of the respondents demanded reform of the confederation. Established in 1970, the GLC gathered less than 8% of total eligible workers with 58,690 members out of a total 745,760 potential membership base by 2002. The GLC website itself reveals that the GLC is constrained by local political balances and low representation abilities due to the large number of fake syndicates that were created to serve political purposes. Additionally, the council has been criticised for a lack of good governance with the same president reigning for over 14 years.

Whatever was left from the GLC after years of deterioration has been championed by the revival of the SCC in the last few years. The Committee was able to gather under its banner thousands of teachers and public sector workers in a campaign to force the government to pass a salary scale adjustment. In light of these factors, new players emerged in the labour union scene that were more representative of workers' needs and more vocal in demanding improvements to their working conditions.

The 2012 wage adjustment process
Following the end of the civil war and the stabilisation of the domestic currency by the BdL, the first wage adjustment process took place in 1996, and a unique amendment in 2008 granted a lump sum increase of LBP 200,000 per month for both public and private sector employees, bringing the minimum wage up to LBP 500,000 from LBP 300,000. For the next 16 years, however, no wage adjustments were introduced, even though inflation kept rising, reaching 100%, and the purchasing power of the Lebanese dropped significantly.

By mid-2011, talks started mounting about the low level of wages, which prevented Lebanese workers from satisfying their basic needs in light of rising food prices and the cost of basic services such as electricity, water and transportation. Indeed, the issue of wage adjustment became one of the top priorities on the public scene over a five-month period between September 2011 and January 2012. These talks were initially favoured by a 'political opportunity', which materialised due to the formation of a new government in July 2011, which emphasised social justice among its priorities. They were also timely because of the approach of the new academic year and its annual burden of rising school and university tuition fees. The government gave special treatment to judges and university professors in Lebanese universities, through exceptional laws that allowed them to benefit from an increase in their salaries between 2011 and 2012. This prompted other sectors and stakeholders to demand the same treatment.

The process started with a dialogue among various concerned parties, including the Presidency of the Council of Ministers, the Ministry of Labour, economic bodies and labour unions. However, the debate escalated into a conflict that threatened the unity of the government before culminating in the adoption of the wage adjustment decree No. 7426 during a session of the Lebanese cabinet on 18 January 2012.

In reaction to the Cabinet's lack of consideration of social aspects of adjustments to wages, the SCC considered that decree No. 7426 "does not guarantee the rights of the workers", and several other syndicates expressed their outrage, including union employees at the *Electricité du Liban* and the Water Authority in North Lebanon. The SCC continued its mobilisation and succeeded in gathering masses of employees under its banner in nationwide demonstrations, the largest demonstration of labour interests in many years. Lebanese citizens from various backgrounds, areas and political parties came together under one objective: improving livelihoods of employees by correcting the inequitable distribution of resources and wealth. Some of the main features for the success of the SCC in gathering supporters were its transparency, its ability to speak to the demands of workers, its wide membership base and open membership policy, and its rotation of roles with biennial elections to promote good governance.

The main objective of the SCC has been to finance the salary scale through the introduction of capital gains taxes on the real estate sector and increasing the taxes on banking profits, together encompassing "the financial whales", as the former SCC president Hanna Gharib describes them.

However, in April 2014, protesting the suggested tax increases from 5% to 7% on interest income, and the possibility of increasing tax on banks' profit from 15% to 17.5% to finance the wage scale, the banking industry vocally registered its dismay with a first of its kind sector-wide strike. The event escalated a conflict between the management of the ABL and the speaker and MPs. In addition, the BdL, through its governor, took a very active role in the wage scale debate and attended parliamentary committee meetings, where the governor expressed his fears about the impact of the increased expenditure on the deficit and ultimately on Lebanon's ratings. This view was shared by the ABL, which expressed fears for the stability of the currency and foreseeable inflationary impacts of this increase in expenditure. The result of this intervention is that, at the time of writing, the wage scale is still in limbo, and no serious attempts have been made to pay teachers and other public sector workers a living wage.

The main drawbacks of the current banking sector are a weak financial market, limited monetary policy instruments through the fixed exchange rate, banking secrecy law, a general lack of transparency and limitation to access to credit, which hinders the ease of doing business in Lebanon.

A finance-biased economy remains a key feature of the Lebanese economy, which, through its external dependencies, favours real estate development and imports.

The Lebanese financial markets are still underdeveloped and inefficient. The Beirut Stock Exchange, established in 1920, houses around 10 companies with a few banks, and other industry and trade listings including cement, automotive and real estate, with a total capitalisation of about 25% of the GDP.

The pegged exchange rate system is very binding and damaging to Lebanon's competitiveness. With a fixed exchange rate, monetary policy is limited with choices to intervene and stabilise the economy. Additionally, a floating exchange rate would encourage a more disciplined fiscal performance.

While *banking secrecy* has helped attract lots of depositors who care for their privacy, especially foreign, this law increases tax evasion and encourages corruption and bribery. A sincere cost-benefit analysis should be undertaken to weigh up the benefits of maintaining this law vis-à-vis the costs associated with it, particularly in terms of sustaining corrupt behaviours. This is also more persistent with Lebanon's commitment to international regulations such as the Foreign Account Tax Compliance Act and other anti-money laundering and tax compliance acts.

The *banking culture* in Lebanon also suffers from a lack of transparency in sharing information with clients, large transaction and hidden costs, and unexplained charges. This issue has stimulated a recent BdL circular that urged banks to be more proactive in educating clients on their rights and to exercise more transparency in their transactions. Banks were given until September 2015 to abide by the content of this new circular.

The BdL has been actively involved in stimulating credit in key sectors such as housing and, more recently, the knowledge economy and tech start-ups.[162] The BdL, prompted by the war in Syria and the domestic political deadlock, introduced a US$1.4 billion stimulus package in 2013, US$800 million in 2014 and plans an incentive programme of US$1 billion to "aggressively engage in the promotion of the knowledge economy".[163] While these initiatives have positive impacts on access to housing and financing young entrepreneurs, they come with distortionary effects on the market that could lead to net negative consequences. An example of such effects is that of subsidised housing loans, which eventually benefit real estate developers and property owners with a sustained demand for their properties, rather than providing poor- or middle-income individuals with opportunities to access decent housing. This subsidy reaches only a portion of Lebanese who possess the minimum downpayment abilities and a certain credit profile to be part of a low-risk bank credit portfolio. While these practices could be goodwilled, social policies should be undertaken in a more holistic and systematic way through concerned government agencies and as part of a governmental strategy that prioritises access to decent housing for all Lebanese without discrimination.

Conclusion and recommendations

The close relationship between the banking sector and the government is a factor that raises a number of concerns as to the integrity of public decision-making in key policy areas, of which just one is examined in the case study above.

Further, while it is the business of any bank to attract wealthy depositors, Lebanese banks are particularly cautious, conservative and risk averse. The finance-biased economy that was created in the post-war period in Lebanon was a result of a BdL policy and the large capital inflows, which included foreign capital flows, remittances and development assistance.[164] This growth in services comes at the expense of the development of productive sectors and contributes to raising costs of industrial production, hindering exports and burdening consumers with the inflated costs of imported goods.[165] It is worth noting that Lebanon imports over 80% of its consumption from abroad, creating a perpetual trade deficit.[166] The International Monetary Fund's (IMF's) most recent review of Lebanon's economy states that the "nexus between the sovereign [state] and banks – whereby banks hold most of the government debt and support reserves – continues to provide

162 See, for example, http://www.bdlaccelerate.com/

163 Reuters, Lebanese Central Bank plans $1 bn stimulus for 2015, 23 October 2014, http://www.reuters.com/article/2014/10/23/us-mideast-investment-lebanoncentralbank-idUSKCN0IC1CO20141023

164 G. Dibeh, 2005, Op. cit.

165 Ibid.

166 J. Chaaban, Our small, dependent economy, Executive Magazine, 20 February 2015, http://www.executive-magazine.com/opinion/comment/small-dependent-economy

stability but could amplify shocks".[167] The report suggests that banks might have to reconsider the large size of their balance sheets in the event of declining public financing needs. In brief, this economic model is not sustainable as it exposes Lebanon to highly fragile and volatile external dependencies and shifts resources away from sound development across all sectors, while also creating unhealthy business environments.[168]

Some avenues do exist to make the Lebanese banking sector more inclusive, independent and effective through combined efforts of key stakeholders: the government, the BdL and the banks themselves. The sector needs to be delinked from its potential political role to guarantee its independence and improve its governance.

The *government* should improve the legislative performance and remedy the absence of an approved state budget, which has been lagging since 2005, to ensure sound financial management of government finances, and enforce sound debt management policies to control public debt and reduce heavy reliance on banking sector credit. The government should also introduce tax reforms to redistribute wealth and increase income tax on banks' profits, which stand today at 15% (while the highest tax bracket for individual income taxes is 21%), and engage in a more proactive social policy that guarantees access to decent housing and basic services.

The *BdL* should stimulate bank lending to productive economic sectors, while enforcing stricter measures on banking transparency with clients in line with recent circulars introduced to remedy the opaqueness of banks.[169] Additionally, branching in rural areas should be promoted to cater to the demands of rural communities. The viability of banking secrecy and the exchange rate policy need to be reconsidered to improve the status of the LBP and the competitiveness of Lebanese exports, in addition to a re-evaluation of the costs and benefits associated with subsidised loans.

The *banks* themselves should also take on a proactive role in the overall sector reform by improving overall bank efficiency and streamlining processes. Leading a more transparent and professional relationship with banking clientele, reducing hidden costs and working towards improving the banking culture in general should be prioritised. In turn, interest rate structures on individual loans need to be improved as credit interest rates are in most cases flat over loan lifetime, which inflates effective rates paid by clients. Banks need to contribute towards facilitating the environment for doing business, which is currently characterised by a constrained access to credit and time-consuming red tape, and take a more active role in lending to businesses and industry to satisfy their short- and long-term needs.

167 IMF, 2014, Op. cit.
168 J. Chaaban, 2015, Op, cit.
169 See BdL, 2015, Circular 134, www.bdl.gov.lb/circulars/download/543/en

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