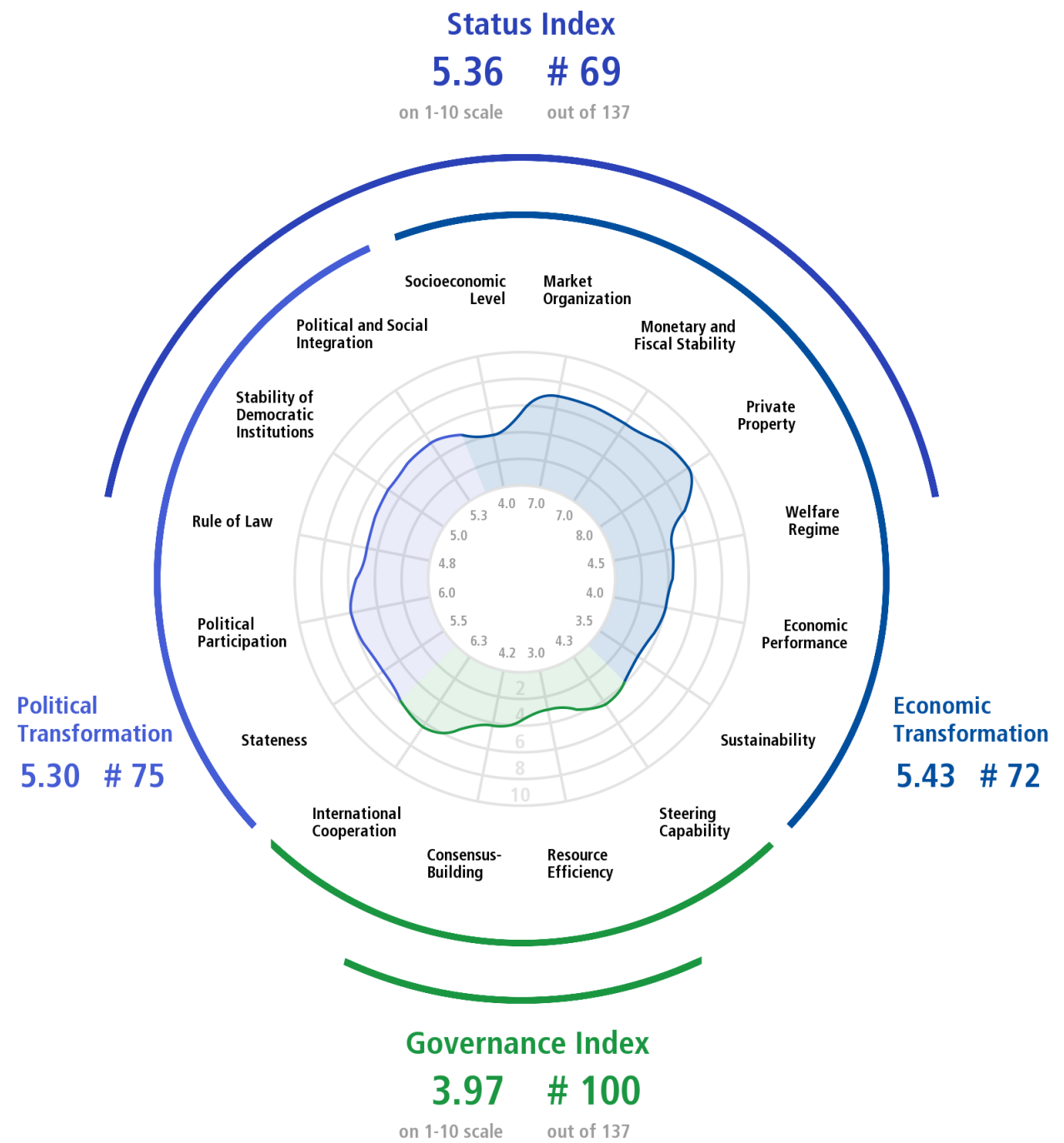


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Lebanon



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Key Indicators

Population	M	6.8	HDI	0.730	GDP p.c., PPP \$	13058
Pop. growth ¹	% p.a.	0.5	HDI rank of 189	93	Gini Index	31.8
Life expectancy	years	78.8	UN Education Index	0.604	Poverty ³	0.1
Urban population	%	88.6	Gender inequality ²	0.362	Aid per capita \$	191.7

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The two years between February 2017 and January 2019 have been significant, despite only producing minor changes in the political and economic landscape of Lebanon. The structural situation of the country in terms of status and governance has not significantly changed.

There have been developments regarding Lebanon's democratic record. The approval of a long overdue electoral law in 2017 marked the end of a protracted period of institutional paralysis in which parliamentary elections had been postponed since 2013. Concerns about security and stability were among the (seldom credible) justifications for the postponement of elections amidst the increasing impatience of the Lebanese public.

The parliamentary elections held in May 2018 marked the return of Lebanon to a path of electoral consultation. Several independent candidates participated in the elections along with the usual political groups. International observers have assessed the elections as having been satisfactory in their respect of procedures. The results of the elections reaffirmed the power of traditional political groups. Though the balance of parliamentary power has slightly shifted in the favor of the alliance between Hezbollah, AMAL and the Free Patriotic Movement.

The Free Patriotic Movement increased its parliamentary seats. Though one of the main changes from the previous legislature was that its main competitor, the Lebanese Forces, almost doubled its presence in parliament.

Saad Hariri, the incumbent prime minister who had announced his resignation from Saudi Arabia in December 2017 only to return to office in early 2018, was able to form a new government in early 2019 following nine months of protracted negotiations.

The government composition reflects the typical power-sharing agreement between the country's dominant groups. The current government stands out for including four female ministers, including the key minister of the interior.

The parliament has for the sixth time re-elected Nabih Berri as its speaker, while the deputy chair is a prominent pro-Syrian politician – a sign of the return of Syrian influence in Lebanese politics.

The regional context constitutes the main aspect of change between 2017 and 2019. The latest developments in the Syrian conflict and the progressive restoration to power of Bashar al-Assad's Syrian regime (although weakened by years of conflict) has had significant repercussions on Lebanon, which has been under the influence of Damascus for decades.

The Lebanese government will be under pressure from within and without to re-establish close ties with Damascus. The Lebanese foreign minister and sympathizers of al-Assad have made several declarations calling for the restoration of normal relations, which were never fully severed in any case.

Yet, other political movements, such as al-Mustaqbal, will be more reluctant to normalize relations with Syria.

The public, as well as the government, have stated the need for Syrian refugees to return to their home country. The UNCHR reported that about 30,000 Syrian refugees in Lebanon have already returned to Syria – a sign of a possible process of return, despite the insecurity in Syria, the protraction of the conflict and widespread destruction.

The slow re-activation of the political process has been matched by economic initiatives. The government of Saad Hariri has succeeded in bringing the economic situation in Lebanon to the center of international attention.

Among the most significant achievements were the Rome II conference in March 2018 and the CEDRE conference held in Paris in April 2018, which marked the launch of the Capital Investment Program (CIP), an ambitious \$11 billion infrastructure development project. Related reforms include greater fiscal rigor, the reduction of the public debt, and the creation of legal infrastructure for safer and fairer investment conditions.

History and Characteristics of Transformation

Since the central areas of what is today Lebanon achieved a degree of limited local autonomy in the mid-19th century, political representation has been organized through a power-sharing arrangement between confessional communities. Struggles over the exact size of the shares allotted to individual communities (mainly Sunni, Shi'ite and Druze Muslims, Orthodox and Maronite Christians) have been a permanent source of tension, particularly in response to demographic change and the uneven distribution of resources between groups. In the run-up to the Lebanese civil war (1975 – 1990), Christian representatives feared that an alliance between Muslim and nationalist/anti-imperialist forces would bolster the Muslim communities at their expense.

Internal political and sectarian divisions made Lebanon a strategic location on the fault line of major international conflicts. Consequently, Lebanon has constantly been an arena for proxy wars due to regional and international interference, and the complacency of Lebanon's elites. The 1989

Taif Agreement, which ended the civil war, adjusted the quotas for the power-sharing system to achieve parity between Christians and Muslims. Though Muslims formed a greater proportion of the population than Christians. This change shifted the balance of power in favor of the prime minister and the chair of the parliament. The agreement also specified a road map to eventually abolish the confessional system and facilitate a transition to equal citizenship. Yet, the Lebanese confessional system, the “National Pact,” agreed in 1943 remains fundamentally unchanged today.

Successive post-war governments promised administrative reforms, albeit without seriously challenging the clientelistic networks that pervade all levels of public administration. After 1990, the decline of the major Christian parties coincided with Syria’s hegemony over Lebanon. However, when U.S. involvement in the region increased in the aftermath of the 2003 invasion of Iraq, political forces critical of Syrian involvement felt empowered. Syrian control collapsed in 2005 in the face of a peaceful popular mobilization triggered by the assassination of Lebanon’s former prime minister, Rafiq al-Hariri. This mobilization was countered by pro-Syrian political groups and their mainly Shi’ite supporters, who feared that the newly forged alliance of Sunni, Christian and Druze parties would seek alignment with pro-Western neighbors (e.g., Egypt, Saudi Arabia and even Israel), while distancing the country from actors who opposed such a course (e.g., Syria, Iran and Russia).

Since 2005, Lebanese politics has become increasingly polarized between two blocs, referred to as “March 8” (i.e., Amal and Hezbollah, the Christian Free Patriotic Movement, and an array of smaller nationalist/pan-Arab oriented parties) and “March 14” (i.e., the Future Movement, the Kata’ib and Lebanese Forces). The two camps differ slightly on economic and social policies, with “March 14” veering toward market liberalism and “March 8” toward statism. In terms of political support “March 8” and “March 14” are roughly equal, although “March 8” includes Hezbollah, which has a professionally trained paramilitary branch and is the main armed force operating in the country.

Between November 2006 and May 2008, the parliament did not meet and the “March 8” bloc disputed the legitimacy of the “March 14” government. The country lacked a president from late 2007 until May 2008, when Michel Sulaiman was elected. In May 2008, tensions erupted in civil unrest and peace was restored with the formation of a national unity government after a meeting of all sides in Doha, Qatar a month later. Parliamentary elections were held in June 2009, which returned a narrow majority for the “March 14” coalition. After only five months, another unity government was formed, but collapsed in January 2010. It took another five months to form a government dominated by “March 8” (led by Najib Miqati), which collapsed in March 2013. The government that followed, led by Tammam Salam, was appointed in February 2014. In October 2016, parliament elected the veteran political leader, former general and militiaman Michel Aoun, who leads the largest Christian political party in Lebanon, the country’s president. Subsequently, Saad Hariri, the leader of the “March 14” coalition, became the new prime minister.

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

Transformation Status

I. Political Transformation

1 | Stateness

The Lebanese Armed Forces (LAF) and the other security agencies (e.g., General Security, GS and Internal Security Forces, ISF) have gradually increased governmental control over Lebanese territory over recent years, but the Syrian conflict (especially in border areas) has constituted a challenge to territorial integrity and the state's monopoly over the use of force.

GS and ISF are associated with the Sunni and Shi'a political groups, while the intelligence and army cadres (which are deployed domestically) are more commonly associated with the Christian political factions. Consequently, the coordination of Lebanon's security agencies is complex, and suggests that law and order in the country is a direct extension of confessional power quotas rather a unified, national security scheme. These power quotas are constantly renegotiated and revised on the basis of power dynamics and regional circumstances.

There are further complications to the state's monopoly over the use of force. First, 12 Palestinian refugee camps enjoy de facto extraterritorial status and are controlled by armed Palestinian factions, at times providing safe haven for violent militant groups including Islamist fanatics. Secondly, the powerful Hezbollah armed group remains active without any governmental mandate across large parts of southern Lebanon, Beirut's ad-Dahie suburb, the Beqaa valley and in Syria. Hezbollah has also been accused of playing a role in the Yemeni conflict and in Iraq. Hezbollah is widely considered to be the most formidable challenge to the government's monopoly over the use of force, but is also considered by some to embody a legitimate form of defense against Israel. Its role as an armed group has been emboldened by developments in the Syrian conflict and its growing reputation as a capable military group.

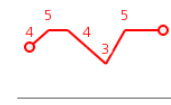
In peripheral areas, such as the Bekaa valley and the north, state control has often been wielded through tacit arrangements with armed local groups (tribes and clans) or Hezbollah. In these areas, especially in Akkar region, the LAF has carried out

Question
Score

Monopoly on the
use of force

5

'06 '20 10



1

operations to expel the presence of armed non-state actors spilling over from war-torn Syria.

In August 2017, the LAF carried out an operation in Ras Baalbek and al-Qaa to expel armed groups affiliated with the “Islamic State” (IS). The operation was hailed as the army’s success, but Hezbollah allegedly played a significant role in its implementation.

In December 2018, at least four underground tunnels were discovered in South Lebanon, two of which crossed the border with Israel. Revealed as the work of Hezbollah, these heightened the tensions with Israel. The peacekeeping operation UNIFIL, which operates in the area, is currently mediating with Israel in order to limit possible repercussions.

At the Rome II conference in March 2018 (Rome I conference was held in 2014), several Western states committed to the continuation of significant support to Lebanon’s security sector worth hundreds of millions of euros. Nonetheless, armed non-state actors and stretched border management remain significant challenges. Saad Hariri’s governments and other political groups have announced their intention to develop a National Defense Strategy to establish the Lebanese state’s monopoly over the use of force, but no concrete steps have been taken thus far.

Most citizens do not question the legitimacy of the nation state. Overall, Lebanon as a national idea enjoys support and respect among its citizenry.

Yet, there are factors that undermine the national sovereignty of Lebanon and call into question its definition as a unified nation.

Certain political and armed groups operating in the country enjoy close relations with external state sponsors. This aspect seriously undermines the credibility of their commitment to a sovereign idea of nation-state.

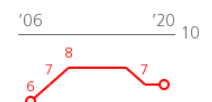
Hezbollah depends on Iran, while other political groups (e.g., the al-Mustaqbal (Future) movement) have enjoyed privileged relations with Saudi Arabia. Some Christian groups are considered to be close to Western powers, particularly Lebanon’s former colonial power France.

Lebanon’s national cohesion relies on a precarious balance between its confessional components. The accommodation of 18 religiously defined groups (none of which comprises more than one third of the population) has been at the core of the 1943 “National Pact.”

While the proportion of the population that is Christian has declined, things have become more complex due to the recent arrival of roughly one million Syrian refugees that have added to the estimated 150,000 to 300,000 Palestinian refugees that were already living in Lebanon.

State identity

7



1

Lebanon also hosts an estimated 40,000 to 80,000 stateless individuals (including Kurds and Bedouins, and Lebanese whose ancestors were not provided with national identification when the republic was founded). All past attempts to naturalize stateless individuals or foreign citizens have sparked serious political tensions and generally failed.

According to Lebanese law, citizenship is passed on exclusively through paternal lineage, unless children are born outside of wedlock. Naturalization is only possible for female foreign spouses of Lebanese men, although long-term residency regulations for non-Lebanese male spouses have been loosened. On March 21, 2018, the minister of foreign affairs announced the possibility of revising the citizenship law to correct its obvious gender-discrimination, but the proposal has thus far failed to materialize, and is supposed to exclude Palestinians and Syrians from the possibility of acquiring citizenship.

Lebanon has no state religion, and freedom of belief is enshrined in the constitution (Article 9). However, the officially recognized 18 religious communities wield exclusive power over personal status law and partly control social services, including education. Religious leaders have the right to challenge legislation that affect their vital interests through the “constitutional council,” a privilege otherwise reserved to the president of the republic, the prime minister, the speaker of parliament or groups of at least 10 members of parliament.

While this has not happened yet, religious leaders regularly intervene in political questions, often straddling the line between religious and political leadership.

Politicians usually make their decisions either in coordination with religious leaders or in a manner that often accommodates their interests.

The main frictions between religious authority and emancipation groups are usually with regard to questions of private law. This is demonstrated by the mobilization of sectors of civil society in Lebanon with regard to issues such as civil marriage and non-discrimination with regard to sexual orientation. Civil marriage is not possible in Lebanon, and only heterosexual couples of the same confessional group and under the authority of their religious leadership can legally marry.

Notwithstanding their influence, religious leaders tend to protect their group’s institutional, political and economic interests, in a fashion akin to the behavior of ethnic groups in other contexts, rather than to impose a religious agenda on society at large.

Cases in which religious leaders or groups have tried to influence the general nature of the Lebanese state have been rare and always failed. Even Hezbollah, which frames its language and motivation religiously, has accepted pragmatically that the establishment of a religious state in Lebanon is a distant ideal, rather than an

No interference of
religious dogmas

6

'06 '20 10



1

immediate objective, which cannot be implemented without the consent of the Lebanese people.

The influence of religion on Lebanese society is significant with respect to each community, but the pluralism of cults and the diversity of Lebanese society have mitigated the possibility of imposing a theocratic rule over the entire society.

Lebanon relies on a central government supported by eight governorates, divided in 26 districts and further partitioned in more than a thousand municipalities. Recently the number of governorates has been increased from seven to eight, officially to improve the administrative structure of the state, but this new organization also reflects electoral dynamics.

The administrative system of the country suffers from corruption, heavy bureaucracy and confessional dynamics that undermine or conflict with the efficiency of the entire system. Law enforcement, including taxation, is patchy at best. Municipalities are sometimes unable to exercise important regulatory prerogatives due to a lack of political influence and funding.

Access to water and sanitation in the most urbanized areas is adequate but in decline due to leaky infrastructure and the effects of climate change. A World Bank funded project currently in preparation includes plans to build a new dam (Bisri Dam) in 2024, which should guarantee greater and more regular water access in greater Beirut.

Electricity provision is a ubiquitous problem in domestic life as well as for the industry. Blackouts are frequent, often lasting three hours per day in Beirut's inner districts and up to 12 hours per day in peripheral areas. Private power generators remain the main backup option and feed a vast informal economy of electricity service provision, which impoverishes the local population while benefiting shady monopolist businesses.

Public transport is non-existent while roads are in a condition of decay. Traffic can be intense in urban centers and on major highways.

The presence of almost one million Syrian refugees has put pressure on the already serious infrastructural deficiencies of the country but has also brought international funding for at least some partial recovery of the basic infrastructure.

Basic
administration

4

'06 '20 10



1

2 | Political Participation

The complex Lebanese electoral system attempts, at least in theory, to balance the formation of a parliament representative of the will of the people as well as its multiple confessional identities.

The 1989 Taif Agreement established that half of the members of parliament have to represent the Muslim community and the other half have to represent the Christian community. Within this partition each religious subgroup (e.g., Sunni, Shi'a, Maronite, Orthodox) has a designated quota of seats proportional to its alleged demographic size.

This mechanism has been regulated by multiple electoral laws which have been constantly criticized for their lack of transparency and their underlying objective to preserve the status of political elites rather than allow for genuine representation of the popular will.

The latest episode in reforming electoral law took place in 2017 after the postponement of parliamentary elections since 2009. The 2017 electoral reform has some positive aspects: it introduces a proportional system, redesigns the electoral colleges, allows expatriated Lebanese to vote from their country of residence and introduces for the first time a preprinted ballot provided at the electoral office. In addition, for the first time, elections have to be held over one day rather than being spread across multiple days.

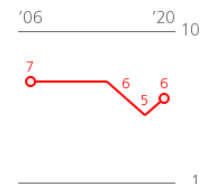
These changes nevertheless are countered by other measures. For example, the proportional representation is limited by the application of an “electoral quotient,” which establishes a threshold for candidates to be elected in each college. This tends to favor established parties and leaders rather than newer and more independent groups. The establishment of new electoral colleges has been interpreted as gerrymandering, as it favors ruling parties rather than fairly representing a complex social panorama.

The law did not introduce a quota for female members of parliament and the voting age remained unchanged at 21 years, which is high given the country's young population.

Thus, unsurprisingly, the May 2018 elections led to a result that largely confirmed the previous parliamentary situation. Electoral observers noticed that voting procedures were carried out satisfactorily. The electoral campaign was mostly peaceful and featured the participation, for the first time in a national election but similar to the 2016 municipal elections, of political groups that proposed issue-based agendas based on social grievances, instead of relying on traditional sectarian identity politics.

Free and fair elections

6



The case of “Kulluna Watani” (We are all National) is particularly indicative in this respect because it epitomizes the case of a political group that, bringing together civil society actors, intended to mark a difference between traditional confessional politics and more independent forms of political activism. In general, these elections have been characterized by an unprecedented number of independent candidates, featured in 21 different lists.

Yet, the electoral turnout (49%) was significantly lower than at the previous 2009 election (54%). Of all the more independent candidates, only one was elected to parliament, the popular journalist Paula Yacoubian.

Hezbollah and its allies made some gains in parliamentary seats, yet these only marginally tilt the overall parliamentary balance in their favor. More significant has been the change within Christian representatives, where the Lebanese Forces have gained seats in favor of the largest Christian party, the Free Patriotic movement.

As a result, the 2018 elections were a meaningful exercise in reinstating the practice of popular electoral consultation, although with great delay, but they failed to deliver a reform of the electoral system that could effectively address the democratic deficiencies of the country.

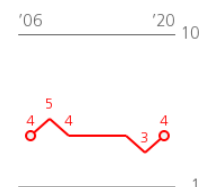
The “National Pact” of 1943, modified by the 1989 Taif Agreement and the 2008 Doha Agreement, gives nearly all major players within the political elite *de facto* veto power over any executive decision. The political system grinds to a halt every time conflicts between political leaders and their power bases arise. The constitutional framework establishes that if a third of the government or one of the confessional groups resigns, the government cannot legitimately adopt new measures. This “blocking third mechanism,” which enables each confessional group to exercise veto power, has meant that all governments since the end of the civil war have been National Unity governments whereby all political groups were represented.

This inevitably affects the already weak democratic accountability of the executive, which responds to a logic of power-sharing among pre-constituted confessional factions.

Hezbollah’s overwhelming military capacity seriously limits the ability of any opponent to oppose its influence. While Hezbollah is closely connected to Iran and the Syrian regime, Sunni political groups like al-Mustaqbal are under the strong influence of Saudi Arabia. Meanwhile, Christian parties have privileged relations with Western states, in particular France. Governance in Lebanon is therefore affected by regional dynamics and is less responsive to representative democratic principles. All factions in Lebanon are primarily concerned with their security and political survival, and this exposes them to the influence of external forces to an even greater extent.

Effective power to govern

4



In 2017, Lebanon experienced a glaring and unprecedented example of external interference in government when then Prime Minister Saad Hariri announced his resignation in a televised speech from Saudi Arabia where he was held allegedly against his will. However, Hariri subsequently returned to Lebanon, apparently after French mediation with Saudi Arabia, and withdrew his resignation and exposed Riyadh's foreign policy blunder.

After the 2018 elections, Lebanon is in the usual post-electoral situation characterized by a protracted phase of negotiations between party leaders concerning the formation of a new government. Hariri managed to form a new government after only nine months of negotiations.

This confirms the entrenched situation in which Lebanese citizens have very limited influence over the ways in which their executive operates. The power-sharing system, the dependence on external patrons and the lack of state monopoly over the use of force transfer power to non-accountable actors, which undermines Lebanon's credibility as a sovereign and democratic republic.

The right to association and assembly is protected by the constitution (Article 13). Yet, while Lebanon's vibrant civil society organizations take full advantage of these political liberties, many of them suffer from limited funding and dependence on foreign donor interests.

Foreign funding from Gulf countries, Iran, European countries, the United States and the United Nations has surged over the past decade. The Syrian refugee crisis has further boosted the external support of local and international NGOs.

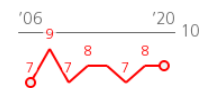
Civic initiatives have, for instance, achieved success in the prohibition of smoking in public places (although public compliance is a different matter) and the prohibition of violence against women. There has been some progress in the criminalization of domestic violence against women. In this respect, some aspects of labor law have been modified toward a more gender-balanced approach due to the lobbying and campaigning of civil society and women's rights groups.

"You stink," the movement created in response to the waste crisis, and organizations such as "Beirut Madinati" (Beirut, my city) are evidence of an active civil society willing to engage in reform. However, confessionism, the hegemony of political elites and alleged security concerns have also prevented civil society from achieving further progress. Some delays in the registration procedures managed by the Ministry of Interior and the Ministry of Social Affairs have also impacted the establishment of new organizations.

The security forces have repeatedly intimidated LGBT activists. In 2018, the Beirut Pride, which had been held for the first time in 2017, was cancelled and its organizer arrested – a violation of the right to association.

Association /
assembly rights

8



1

Freedom of opinion and the media are guaranteed by law but are sometimes restricted when questions of morality and religion, or relations between sectarian communities are raised. The legislation, furthermore, criminalizes acts like libel and defamation, and authorizes the imprisonment of people judged to have insulted the president, the flag or the national emblem.

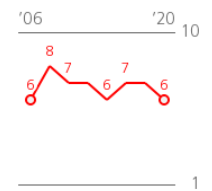
Public screenings of films and theater performances are subject to prior authorization by the authorities and are sometimes banned or abridged. At times, journalists and artists have also been attacked by non-state actors, including some considered part of the social and political mainstream.

Recently there have been some concerning trends especially with regard to social media and televised political satire. In 2018, several individuals were questioned for online posts that criticized political authorities and a TV comedian was brought to court for his political satire. These events led to protests in July 2018 against the perceived restriction of freedom of expression, also by U.N. agencies and various NGOs.

On a positive note, in 2017, the government significantly reduced the cost of accessing the internet, which has been a welcome move in a country where internet and mobile telephone tariffs have been among the highest in the region.

Freedom of expression

6



3 | Rule of Law

The separation of powers is enacted through an intricate array of mandatory mutual ratification procedures and decision-making rules (quorums, supermajorities). In addition, a power-sharing mechanism between confessional groups enshrined in the informal, but well-respected “National Pact” establishes a de facto system of vetoes for each of the main confessional groups. Consequently, any decision that is not approved by all factions is blocked.

Parliamentarians elect the president (who should always be a Maronite according to the National Pact) and, in binding consultations with the president, select the prime minister (always a Sunni). The government is accountable to the parliament (whose speaker is always a Shi’ite), and both the president and parliamentarians can initiate legislation, while the government can issue decrees.

Institutions like the Constitutional Council are supposed to provide for additional checks, but these are trumped by more powerful informal confessional loyalties, which often threaten institutional paralysis, public unrest or even violence.

The most strategically important decisions (e.g., holding elections, forming a new government or the foreign policy agenda) are typically achieved through direct deals between political actors, which do not take into account parliamentary procedures or public consultation. These deals are agreed outside the nominally competent institutions and frequently even outside the country, as they often rely on external political sponsors.

Separation of powers

5



There are four types of courts: the judicial court system, the administrative court system, the military courts and the religious courts. This structure has been criticized as being uncondusive to the principle of equality before the law, especially with regard to the military courts.

The religious courts are organized on a confessional basis and deal with matters of civil law. These courts have been under scrutiny for the application of religious norms that allow, for example, for minors to marry.

The administrative courts also include the commercial courts and have been identified (e.g., by the IMF and World Bank) as unable to deliver the necessary services conducive to investment and productivity.

Lebanon has a Constitutional Council for reviewing the constitutionality of legislation approved by the parliament. Furthermore, the Majlis al-Shura (the highest administrative court) assists in the drafting of legislation in the parliament.

Notwithstanding the articulated structure, the system has also been criticized for its proneness to politicization, especially in high-profile criminal cases that concern terrorism and political violence. In a February 2017 study, the International Commission of Jurists demanded that “the Lebanese authorities must end the executive’s extensive powers and influence over the Lebanese judicial system.” The selection, training and promotion of judges is co-organized between the Ministry of Justice and the High Judicial Council, and in certain regards does not comply with international standards.

According to the law regulating the legal profession, lawyers in Lebanon need to have a university degree in law.

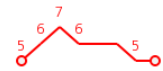
Clientelism and corruption are common in Lebanon, and the general public perception is that politics takes place well-above the law. Since there is no guaranteed access to governmental information for the public, abuse of office is rarely prosecuted.

The lack of significant legal administrative and political oversight creates a very strong perception of corruption in the country. Several parties are said to rule over corrupt fiefdoms and informal patronage, which guarantee their power and control over their constituencies but undermine the capacity of the state to implement its administrative capacity.

Independent
judiciary

5

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1

Prosecution of
office abuse

3

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1

While Lebanon remains unmatched in terms of civil rights standards regionally, the constant trade-off between security and the confessional interests render some concerns. Personal liberties are for instance affected by the lack of independence from religion, especially in matters of civil law. Marriage is only allowed between persons of the same confessional group. Outside these narrow margins, discrimination based on sexual orientation has reportedly increased.

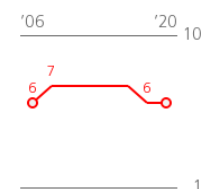
There are reports of cases of torture and arbitrary arrests, which mainly affect groups such as the Palestinians or Syrians.

Equality before the law is problematic due to the excessive use of the military courts which often interfere with cases that seem more appropriately pursued by the civil justice system. The estimated 250,000 foreign domestic workers, most of them women, are without legal protection under the kafala system.

While there are reports of widespread impunity in the country, not much has been done to address the deficiencies of the judicial system given its key strategic value for civil liberties and economic development.

Civil rights

6



4 | Stability of Democratic Institutions

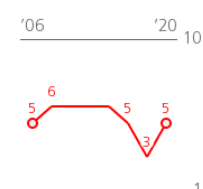
In 2017, the outgoing parliament approved the long-awaited electoral law that regulated the May 2018 elections and overcame the year-long stalemate. The law modified earlier legislation, but without seriously changing the political reality. The newly elected parliament, with Nabih Berri as its speaker, achieved two major milestones in its comparatively short tenure to date. First, the parliament approved the “national solid waste management law” in September 2018. Then, in November 2018, the parliament established an independent commission entitled to investigate the fate of the estimated 17,000 people that disappeared during the civil war 1975 – 1990.

While the main political parties of Lebanon officially subscribe to democratic procedures, the reality of Lebanese politics is more complex and its commitment to democracy tenuous.

The eventual approval of a new electoral law in 2017, after the repeated postponement of parliamentary elections, highlighted that Lebanon’s dominant political forces are committed to public consultation but only as long as public consultation allows for the continuation of the status quo. This is considered a necessary condition for the preservation of stability and security. For most political actors, the principles of stability and security trump democratic accountability. This is especially evident in the willingness of most political actors to refer to armed groups if necessary, which further undermines the democratic record of the state.

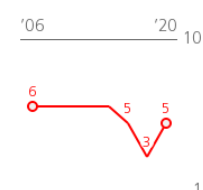
Performance of democratic institutions

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Commitment to democratic institutions

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5 | Political and Social Integration

Lebanese parties have very little to do with ideological orientations. Instead, they build their consensus and legitimacy on the basis of identity politics, mainly along religious lines (“confessionalism”). Lebanon’s Muslim communities are divided primarily between Shi’a and Sunni. Shi’ites are mostly associated with the AMAL movement or Hezbollah, while most of the Sunni community subscribe to the al-Mustaqbal movement, although its popularity is in decline.

The Christian community is primarily divided between the Free Patriotic Movement and the Lebanese Forces. Each of these groups exercise influence and recruit supporters through a mix of patron-client relations and clan-based affiliations. Some of these groups have a more distinct religious ideological program, while others use religion mainly as a source of allegiance and not as a political program.

While these mechanisms provide for minimal voter shifts between parties, the parties differentiation along confessional instead of ideological lines renders the political context polarized because differences between parties are not about policies, but about confessional identities, which are hard to reconcile.

Lebanese parties also rely on direct financing and protection from external actors. Some Sunni groups receive support from the Gulf countries, while the Shi’a groups are more closely associated with Iran (in the case of Hezbollah) or Syria (in the case of AMAL). Western states tend to associate with the Christian parties and sympathize with the other pro-Western (especially Sunni) parties although maintaining an appearance of neutrality.

The Druze community is smaller than the other confessions, but plays an important role in the balance of political alliances. Its main political group (Progressive Socialist Party) is led by veteran leader Walid Jumblatt, but other political groups like the Lebanese Democratic Party (led by Talal Arsalan) are increasingly competitive and weaken the unity of the group.

External support for Lebanese parties ensures that regional and global political fluctuations have a direct influence on Lebanese politics. The gradual return of the Syrian regime to the regional scene will likely have repercussions for Lebanese politics, which may reignite tensions between pro-Syrian and anti-Syrian factions.

There are efforts within Lebanese civil society to disentangle Lebanese party politics from its confessional structures. For example, the 2018 elections included the participation of tens of candidates from at least one political group (Kulluna Watani) that pursued a non-confessional and issue-based political agenda. Party politics and confessional dynamics were too strong and deeply embedded to be defeated by these candidates, but this is a significant indication that some sectors of Lebanese society wish to establish a political system that is not dependent on religious identities, and reflects the experiences and grievances of civil society.

Party system

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Religious figures and political strongmen act as the main leaders of sectarian and communal groups, and mediate between the state, communities and individuals on the basis of patron-client relations. Their power is exercised through social networks at the grassroots level (e.g., neighborhood associations, family leagues, parishes, charities and schools), which provide the main interface between clientelistic structures and individuals.

Groups such as Hezbollah constitute a key node for citizens accessing health care, education or social security services. These groups act as a surrogate state and establish an even stronger bond between people and political organizations.

Importantly, confessional groups are perceived by their members as guarantors of security and stability and a counterbalance to the influence of competing confessional groups.

Non-confessional interest groups (e.g., unions and syndicates) have limited influence, as Lebanon's economy is dominated by small-sized enterprises, which limits the capacity for workers to unionize. Most independent interest groups originate from issue-based associations reliant on civil society mobilization.

There have been cases in which NGOs and societal movements have managed to raise public awareness and sometimes achieve political reform on issues of public interest, such as gender-based violence, the environment, the issue of waste management, electricity or civil liberties.

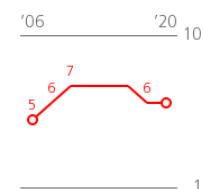
The repeated postponement of elections has been criticized by the Lebanese public and has led to street protests. The decade-long lack of political progress has led to increasing public disillusionment concerning the likelihood of achieving full democracy. Public skepticism about the democratic record of the country seems widespread.

The low participation rate in the 2018 elections (49%) confirms this.

In 2017, a report from the Pew Center indicated that 91% of the population are unsatisfied with the way in which democracy is exercised in the country. According to the same report, 85% of the population does not trust that the government is doing the "right thing." The same study, however, reports that the public is mostly opposed to military rule and favors a technocratic government.

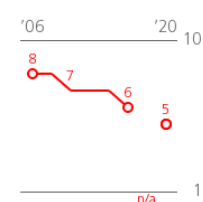
Interest groups

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Approval of democracy

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Lebanon has a rich tradition of associational life. Associations concerned with public welfare abound – with a large, but by no means exclusive presence of religious organizations – in addition to a large number of sports and cultural associations.

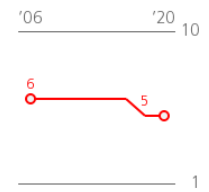
Confessional networks are the main reservoirs of social trust. Except for a small section of society – mostly educated urban dwellers – confessional groups and associations constitute the main way for people to establish social connections on multiple levels (e.g., education, family life, friendship and political activities).

Associational life and its prevalent religious foundations constitute an alternative for accessing services and forms of social security, which are not provided by the state. However, these forms of association also undermine the capacity of the state to present itself as the central institution with responsibility for ordering society.

The World Values Survey identified low levels of mutual trust among Lebanese in 2013: only 9.8% felt that “most people can be trusted,” while 80.3% answered that one needs to be “very careful” when dealing with others.

Social capital

5



II. Economic Transformation

6 | Level of Socioeconomic Development

While updated data has not been published in recent years, there is no reason to believe that Lebanon’s socioeconomic situation improved between 2017 and 2018. In contrast, given the lower economic growth rate, the presence of a large displaced population and political stagnation over previous years, the socioeconomic situation in the country has possibly worsened.

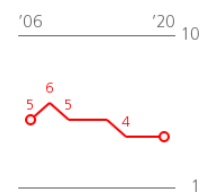
Poverty is the most pressing of Lebanon’s many socioeconomic issues. The World Bank in 2014 listed 1.2 million (nearly 27% of the total population) as poor, living on less than \$4 a day. Among these, 300,000 (7% of population) are extremely poor, living on less than \$2.40 per day. While Gini data are not available, differences between the large proportion of poor, and the small proportion of super rich and politically influential are extreme. Luxury urban areas, such as central Beirut, contrast sharply with the suburbs and the countryside.

The 2018 Human Development Index ranked Lebanon 80 out of 189 countries with a score of 0.757, which reflects an upward trend since 2012, but worse than its score in 2011 of 0.760.

Question Score

Socioeconomic barriers

4



The International Labor Organization (ILO) estimated unemployment to be relatively low in 2014 (6.5%), but youth unemployment (ages 15 – 24) reached 21.7% in 2014, up from 19.9% in 2012.

The majority of employment is in the service sector (72.6%), only a minor part in industry (21%, 2009). About 44% of the total population over 15 years is in employment (2014), of which a share of roughly 40% is self-employed. While 70.9% of men aged over 15 participate in the labor market, only 24.5% of women aged over 15 participate, although the female labor market participation rate is rising. The large diffusion of informal employment and informal economy render more exact data difficult.

The share of primary school enrolment rose to 93.2% in 2012. However, enrolment in secondary education (67.5%) and tertiary education (46.2%) has been in slight decline. Female students outnumber male students in secondary (100.8%) and tertiary (107.4%) education, but not primary education (91.4%).

While the number of Syrian refugees living in Lebanon is decreasing, they remain a sizeable demographic group of about one million. Poverty has been exacerbated through the increasing demands for services, infrastructure and employment. UNHCR indicates that most refugees tend to settle in Lebanon's poorest areas. However, it is merely speculative to claim that the refugees are responsible for a presumed increase in poverty, the problem of poverty predates the beginning of the crisis.

The Palestinian population living in refugee camps in Lebanon is subject to harsh discrimination. Palestinian refugees do not enjoy the right to work in skilled sectors and their quality of life, including freedom of movement and access to education and health care services, is often severely constrained.

Recently, the work done by the Lebanese Palestinian Dialogue Committee at the governmental level has begun to address the issue.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	49973.9	51239.1	53393.8	56639.2
GDP growth	%	0.4	1.6	0.6	0.2
Inflation (CPI)	%	-3.7	-0.8	4.3	6.1
Unemployment	%	6.2	6.3	6.1	6.2

Economic indicators		2015	2016	2017	2018
Foreign direct investment	% of GDP	4.3	5.0	4.8	5.1
Export growth	%	7.7	-3.5	-3.2	8.4
Import growth	%	5.7	10.9	6.4	-4.6
Current account balance	\$ M	-8541.8	-10474.0	-12396.3	-
Public debt	% of GDP	140.7	146.2	149.0	151.0
External debt	\$ M	67706.6	70577.4	73992.7	79344.6
Total debt service	\$ M	14017.1	14989.1	16744.2	16409.1
Net lending/borrowing	% of GDP	-6.9	-9.2	-7.4	-
Tax revenue	% of GDP	13.5	13.5	15.3	-
Government consumption	% of GDP	12.5	12.2	13.1	13.7
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	3.9	4.2	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	4.5	5.2	4.6	5.0

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

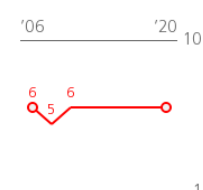
7 | Organization of the Market and Competition

Market-based competition is an ambivalent factor in the Lebanese economy. Sectors like energy, water, the national airline and telecommunications remain state monopolies, while other sectors (e.g., the steel and cement industry) are dominated by oligopolies.

There is an emerging sector related to the possible discovery of hydrocarbons and gas reserves in Lebanese waters. In 2018, the first exploratory contracts were awarded to three international companies. The bidding for this sector has been delayed for a long time and it is too early to say whether it will create significant profits.

A general competition law, planned for more than ten years, is intended to address these oligopolistic structures and the potential for abuse. However, the law has not been approved as yet. Though international economic partners, such as the EU (with

Market
organization
6



which Lebanon has an association agreement) and the WTO (to which Lebanon has applied for membership), have asked for its implementation.

The “March 14” coalition pushes for more deregulation and marketization, and for a greater role for private sector investments in public infrastructure. The “March 8” coalition values a large public sector and state-controlled enterprises. Government ministries are allocated to different political groups to form a national unity executive, but this means that overall economic policy is inconsistent.

In the World Economic Forum’s Global Competitive Report 2018, Lebanon ranked 80 out of 140 economies, a ranking that has remained fundamentally unchanged over recent years. The high perception of corruption, inefficient and unstable governments, and limited access to financing constitute some of the main obstacles to market freedoms and reform.

Freedom to launch and withdraw investments is largely achievable, especially for non-residents. Legal discrimination based on ownership (state/private, foreign/local) and size is widely absent, and legal entry barriers in product and factor markets are rare. However, non-legal barriers do exist such as high factor costs and low economies of scale due to the small size of the Lebanese market. According to the Doing Business 2019 report, establishing a business in Lebanon is particularly difficult. It takes eight procedures and 15 days and requires a minimum capital of 38.9% of income per capita to start a business. Consequently, Lebanon ranks 146 out of 190 economies in this category.

The informal sector is an important economic component, despite also indicating inadequate economic governance. According to a 2013 World Bank Enterprise Survey, 57% of the firms surveyed declared that they were in competition with unregistered and informal businesses, indicating the scale of the economy operating outside of the regulatory framework. In the MENA region, the same indicator is 42%, suggesting that the informal economy in Lebanon is particularly high.

In Lebanon, there is no workable competition law and there are no competition authorities. Therefore, anti-oligopolistic policies enjoy limited support due to the links between political and business elites. The fact that a new competition law has not been approved after years of preparation is an example of the reluctance or incapacity to reform even among business-oriented politicians. A National Competition Authority was proposed as well as a Competition Council with the right to petition the Court of Appeals, but this proposal has not materialized.

Privatization is associated with bribery and corruption, and the institutions tackling corruption are also subject to political and sectarian quarrels.

Energy (with the exception of micro-energy producers, which fill the gap in supply with private generators; prices are set by the energy ministry), telecommunications, water supply, and airline companies are still widely state-owned, although there are

Competition policy

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ongoing projects for their partial privatization. National flag carrier Middle East Airlines, for example, is still owned by the central bank (Banque du Liban, BDL) and discussions about reducing the government's shares have not yet led to results.

Only a few companies have maintained a dominant market position in many sectors. New developments in the field of competition will depend on the implementation of the ambitious Capital Investment Program (CIP), which was launched by Hariri's government in 2018. The program has received initial support from potential international public and private funders.

Due to Lebanon's small market size, governments remain committed to economic protectionism through tariff and non-tariff measures – notwithstanding Lebanon's pending application to become a WTO member, which it reiterated in 2018.

Exports have been supported and subsidized, including through preferential trade agreements (mainly with Saudi Arabia) and the joining of regional free trade areas. Lebanon was a founding member of the Greater Arab Free Trade Area (GAFTA) in 1997, eliminating most trade tariffs among its 18 members. Nonetheless, considerable tariffs still exist on trade with other countries (e.g., on car and mobile phone imports).

Lebanon has an Association Agreement with the EU, which has led to a modest increase in exports and imports, although its overall impact has been assessed as negative by recent economic reports.

Overall, Lebanon runs a significant trade deficit. In 2016, exports were worth almost \$3 billion, while imports were about \$18.7 billion.

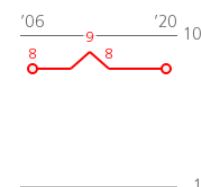
Trade with Israel is prohibited and the Syrian civil war has cut Lebanon off from its remaining land trade routes, which has increased interest in Lebanon's ports infrastructure. In 2018, however, borders with Syria were gradually reopened, albeit with interruptions. Corruption at the customs authority negatively affects foreign trade as well.

Net inflow of foreign direct investment (FDI) reached 4.57% of GDP in 2015, down from 15% in 2008. Foreign investors are increasingly suspicious of moving their money into Lebanese projects, due to the multiple crises in the country and region, and non-conducive business environment. Construction and tourism have been particularly affected by this decline.

The CIP intends to attract investment for infrastructure developments worth \$11 billion. International lenders have committed soft loans and grants to fund the program, but conditional on a radical reform of Lebanon's governance and business environment, which will be difficult to achieve. The required reforms include greater market liberalization, and improved guarantees and fairness for investors.

Liberalization of foreign trade

8



Lebanon's banking system is well developed due to solid regulation and supervision by Banque du Liban (BDL) and international agreements, such as those with the Bank for International Settlements (BIS). A total of 66 banks account for 97% of financial system assets, which is large for the size of the country. Financial services represent 9% of GDP and generally outpace the country's economic growth rate.

Lebanese banks are required to hold a minimum share of capital proportional to deposits. In December 2017, assets for the Alpha Group Banks (banks with more than \$2 billion deposit) reached \$232.98 billion and the loan-to-deposit ratio was 36.42%. Banks must also undergo a supervisory review process and disclose information about their economic activities.

In 2013, the BDL's reserve requirements were set at 25% for local currency sight deposits and 15% for all other deposits. Domestic deposits make up a large majority of banks' funding, leading to a minimal reliance on market funding. The ratio of bank capital to total assets (financial and non-financial) proved relatively stable with 7.6% in 2011 (last data available). The non-performing loans ratio of 2017 was 9.2%, according to the BDL, and the non-performing coverage ratio 36.7%. The capital adequacy ratio for 2017 was 15.7%, while BDL regulation demands were 15%.

In 2016, the IMF carried out a Financial Stability Assessment and concluded that the Lebanese banking sector was resilient, despite widespread regional and domestic turbulence. Fiscal adjustments have been suggested to reduce exposure and risk of financial instability. Some critical aspects include the increasing concentration in the banking sector due to a large number of mergers in the last decade as well as an excessive growth of large banks: Bank Audi, Bloom, and Byblos Bank cover over two-thirds of loans and deposits alone. Conversely, banks with deposits not exceeding \$200 million account for only 1.3%.

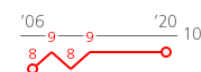
Furthermore, in 2013, banks with customer deposits of more than \$2 billion grew by 10.1%, accounting for 88.6% of total banking assets. In 2016, the IMF confirmed that deposits concentration is also a source of vulnerability with 50% of deposits in Lebanese banks concentrated in only 1% of all accounts.

The banking system faces some strict regulations by international actors and is under the surveillance of the BDL. The United States takes tough action to inhibit money laundering for Islamist terrorist groups and other internationally suspicious actors. These measures have been further tightened by the Trump administration, targeting in particular Hezbollah – despite Hezbollah's claims that it does not do business with Lebanese banks. In this context, international bank transactions must be cleared by BDL.

International sanctions against the Syrian regime also affect Lebanese companies and banks. The U.S. Treasury is blacklisting companies that do business with or support the Syrian government. Lebanese banks might withdraw from the respective firms to avoid being blacklisted as well.

Banking system

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8 | Monetary and fiscal stability

From a peak of around 11% in late 2012, the inflation rate began to decline from the second half of 2013 and monthly figures for 2014 turned negative. However, in mid-2016, the situation reversed and weak inflation returned to a then-peak of 4.3% in 2017.

Since 2002, the Lebanese pound is fixed to the U.S. dollar at a rate of \$1 to LBP 1,507.50. Therefore, the independent central bank, which enjoys good reputation abroad and domestically, successfully achieved a stable real exchange rate. The Lebanese economy is dollarized to a considerable degree (some 65% of bank assets are dollarized), creating a further safeguard against currency devaluation. In the assessment period, the monetary stability of the country was under pressure due to political instability, in particular because of Hariri's surprise resignation at the end of 2017. Nevertheless, BDL has maintained monetary stability, relying on its considerable resources and reputation.

Lebanon's notoriously lax budgetary discipline is a result of the weak parliament, which often fails to scrutinize and approve the government's budget. Indeed, the parliament has not released a budget since 2005.

For the first time in nine years, the government issued a comprehensive budget in 2017 and 2018, and plans to do so for 2019, marking a positive step toward a more structured and regular fiscal policy.

Governmental spending is decided by the cabinet, where short-term interests often prevail over consistent macroeconomic stability policies with medium-term prioritization (such as debt reduction and fiscal consolidation).

Lebanon has the highest public debt rate in the MENA region and one of the highest in the world. In 2018, net public debt was about 150% of GDP, with nominal GDP growing at about 5% per year, according to IMF projections, Lebanon's public debt is projected to be 200% of GDP in 2030.

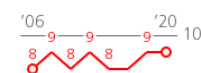
The fiscal deficit was at 8% of the GDP in 2018. The sustainability of this level of indebtedness is the greatest concern for Lebanon's economic development.

To tackle this, the Hariri government attempted to increase taxes on the private sector, but eventually dropped the proposed tax increase due to protests.

Meanwhile, Hariri's plan for a Capital Investment Plan does not seem to address the question of public debt credibly due to the dependence of the plan's implementation on difficult reforms. Furthermore, the risk is that a program of infrastructure investment, which relies almost exclusively on foreign loans, may have the effect of further increasing public debt.

Monetary stability

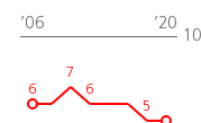
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Fiscal stability

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9 | Private Property

Legal institutionalization and the enforcement of property rights have a long history in Lebanon, dating back to 1924. In 1999, a copyright law was issued, followed in 2000 by a patent law. A new law on intellectual property has been in the making for a few years, but has not been finalized. In recent years, no significant changes have taken place with regard to the regulation and protection of private property.

In exceptional cases such as the planning of new roads, expropriation of land is possible if justified by public interest and compensation is paid. This constitutes a key aspect for the large infrastructure developments that are planned by Hariri's government's CIP.

Registering property, on average, involves eight procedures and requires 25 days to complete, according to the World Bank, which is average in the MENA region.

Over 90% of Lebanon's private enterprises have less than 50 employees and a majority have less than five employees. Attempts to privatize the large and inefficient state-owned companies, however, are often unsuccessful. The loss-making national energy supplier Electricité du Liban (EDL) struggles with income generation because of inadequate billing and obsolete infrastructure.

Internet connectivity, which is managed by the state-owned Ogero company, has slightly improved due to new lower tariffs. Mobile telephone services are managed by two state-owned companies, Alfa Mobile and Touch, which offer expensive services.

Public resources, which are already strained by increasing public debt, are essential to fund the required infrastructure and public service developments. Public-private partnerships (PPPs) constitute an important means of funding these developments.

On 14 September 2017, new legislation regulating PPPs (Law No. 42) was finally approved. The authority of the Higher Council for Privatization (HCPP) has been expanded to include supervision of PPPs.

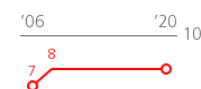
The HCPP plays a central role in the inception, procurement and implementation of PPP projects, and is chaired by the prime minister along with the relevant ministers according to the nature of the project.

The PPP law does not regulate dispute resolution processes relating to the procurement and implementation of PPP projects. Disputes concerning public procurement are governed by the ordinary legal framework. The Shura Council (i.e., the Administrative Court of Lebanon) is in charge of settling disputes related to public procurement in general and procurement of PPP projects.

There have been some formal steps toward enabling greater reliance on public-private partnerships, but more has to be done at the legal and infrastructure levels to create a conducive business environment for private companies.

Property rights

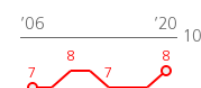
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Private enterprise

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10 | Welfare Regime

Social safety programs are small, not well-targeted and do not contribute significantly to poverty reduction.

6% of GDP is spent on social safety, with subsidies for electricity, bread, and some agricultural products accounting for the largest share. Non-subsidy programs, however, make up only 1% of GDP. The Ministry of Social Affairs (MOSA) introduced a “National Poverty Targeting Program” in 2011 for an initial three years, although the program remains in place. Besides food subsidies, emphasis is put on health and education provision of children.

In addition, MOSA distributes money through religious and civil society organizations, raising issues of public control and fiscal supervision, distribution efficiency and outreach effectiveness. Informal religious networks and organizations constitute an important backup to state deficiencies. Hezbollah and the Hariri Charitable Foundation, among others, are important actors in the provision of social services, although they also consolidate an alternative confessional or political welfare system that undermines a national welfare system.

Public expenditure on health care are relatively high, with 7.5% of GDP in 2018, according to the Ministry of Health. Life expectancy is relatively high (79.6 years, 2016).

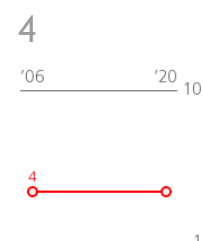
The presence of one million Syrian refugees has increased pressure on public infrastructure, such as schools and hospitals, but has also attracted considerable international aid.

More women are enrolled in tertiary education than men, but more men than women are enrolled in primary and secondary education. The literacy rate is 94.3% among men and 88.1% among women, with an overall literacy rate of 91.2% (2009). This can mainly be attributed to a lower rate of female attendance in primary education, particularly in the rural areas. Most of the universities are private and expensive; thus, the poor are mainly excluded.

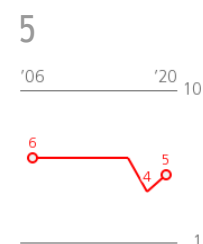
Women’s participation in Lebanon’s labor force is growing, but still does not exceed 24.5% (2014). The political representation and participation of women is low, but growing significantly. Following the 2018 elections, six women were elected to parliament (out of 128 deputies), two more than in the previous parliament. The 2019 Hariri government has four women ministers, with Rayya al-Hassan the first Arab woman to hold the influential post of interior minister.

Homosexuality in Lebanon is illegal, and social stigma of same-sex relationships persists, especially in conservative areas. There have been, however, cases in which courts have decided not to incriminate individuals under Article 534 of the penal code

Social safety nets



Equal opportunity



(which prohibits homosexual relations). In 2017, a court ruled that freedom of expression can prevail over the prohibition of homosexuality, given that it does no harm. In 2018, however, the Beirut Pride parade was cancelled after the arrest of its main organizer.

Except for the army, the sectarian quota system for the public sector prevents qualified candidates from being hired if they do not belong to the specified sect.

Discrimination is also strong in relation to non-citizens.

The estimated 150,000 to 300,000 Palestinians living in Lebanon are subject to systematic discrimination. They can only work in low-skilled sectors, while their freedom of movement and access to basic services is restricted to the squalid refugee camps they live in. Equally problematic is the status of 40,000 to 80,000 stateless persons who are not officially recognized as Lebanese. They have trouble accessing services, such as education and health care, and their freedom of movement is restrained.

Foreign workers, especially women in the domestic service, experience discriminatory employment conditions (kafala, including the withdrawal of the passport), which constitute modern slavery. Several criminal cases, involving harassment or suspicious death, remain unsolved.

The majority of Syrian refugees live in Lebanon without having acquired (or having lost) legal residence in the country. This creates insecure and vulnerable conditions for Syrians in Lebanon and limits their access to basic services.

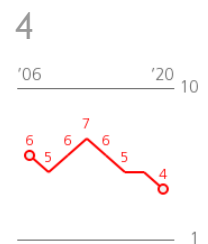
11 | Economic Performance

Lebanon's economic performance is declining. GDP growth per year was as high as 10% between 2007 and 2010, but has since oscillated between 1% and 2%. The economic sectors that have struggled the most have been construction and tourism, as well as export sector, which have suffered from regional instability and problematic relations with economic partners in the Gulf region. GDP per capita (PPP) rose until 2010 (reaching \$16,119), but declined to \$14,219 in 2015, before slowly increasing again to \$14,676 in 2017.

In 2015 and 2016, the inflation rate was negative due to the strong U.S. dollar, to which the Lebanese pound is pegged, and low oil prices. Though the inflation rate rose to 4% in 2017.

The overall unemployment rate was 6.3% in 2015, but the ILO estimates that youth unemployment had increased to 20.7% in 2014.

Output strength



Tax revenues as a share of GDP declined from 17% in 2010 to 14.8% in 2014 and decreased further in 2016 and 2017. Notwithstanding this, the budget deficit was estimated to have declined from 9.3% of GDP in 2013 to less than 9% of GDP in 2014.

Public debt remains extremely high and increased from 132.9% of GDP in 2014 to 144.1% of GDP in 2015 to 155.1% of GDP in 2016. The current account deficit increased from \$8 billion in 2015 to \$10 billion in 2016.

12 | Sustainability

Lebanon's environmental situation is rapidly worsening, as there is no incentive for people to reduce their consumption of goods and services.

There are no official goals to reduce carbon dioxide emissions in a country where road transport is basically the only option. Meanwhile, the use of alternative fuels and energy sources (e.g., solar, wind and biomass) is not a priority for the government. Up to 95% of energy is generated by burning oil. While the government is in the process, albeit slowly, of developing a new hydrocarbons sector based on possible offshore reserves, there is no serious consideration of the potential environmental impact of oil and gas extraction from Lebanese waters.

The large cement industry's major carbon dioxide production remains unaddressed by public policies.

Among the most urgent matters is the question of waste management. Recycling and waste reduction programs are almost non-existent. The overdue closure of waste dumping sites has led to the opening of new temporary locations, which are inconveniently located and that are filling up quickly. In January 2018, the government adopted a policy for integrated waste management, aiming at devolving most waste management and its related costs to local administrations, but its actual implementation awaits approval.

The practice of burning waste or phenomena of self-combustion in dumping sites has been reported as increasingly common. Human Rights Watch, among other civil society organizations, has raised the alarm that these practices are increasingly harmful to public health and will have long-term repercussions.

In rural areas, a large share of wastewater is directly released into the sea. Illegal well drilling and technically unsound cesspits heavily impact groundwater quality.

The summation of these environmental damages not only has repercussions in terms of environmental sustainability, but will also affect the tourist and food production sectors which represent some of the profitable businesses in the country.

Environmental
policy

2

'06 '20 10



Lebanon's overall high quality of education is not directly related to the government's policies. Public expenditure on education was 8.6% of GDP in 2013, but most of this expenditure is concentrated on primary education. Public spending is supplemented by private spending, so that the overall share (public and private) of educational spending is quite high.

The 2018 Times Higher Education ranked the private American University in Beirut as the sixth best Arab university. However, the largest state-funded institution, the Lebanese University, still attracts up to half of all students. Lebanon's academic sector stands out for its broad offer of social sciences and the relative academic freedom of the country, compared to the rest of the MENA region which instead focusses on technical disciplines and has low standards of academic freedom.

The National Council of Scientific Research (CNRS), funded by the government, serves as an independent science policy-making institution under the authority of the prime minister, combining advisory and executive functions. It initiates, encourages and coordinates research, for instance through research grants and scholarships, as well as supports international cooperation.

The adult literacy rate was 91% in 2009, with a higher literacy rate for men than women, according to UNESCO. The 2016 Gender Parity Index indicates that the ratio of women to men was 0.9:1 in primary education, 1:1 in secondary education and 1.2:1 in tertiary education. There are more men in primary education and fewer in tertiary education, as the dropout rate for men is considerably higher than girls.

Education remains a serious challenge for Syrian refugees in Lebanon. According to the UNHCR, more than half of the approximately 488,000 Syrian refugees of school age were not enrolled in 2018.

Education policy / R&D

5

'06 '20 10



1

Governance

I. Level of Difficulty

The main structural constraint for Lebanon's governance is the confessional system and its related power-sharing system, which slows down policy-making and constitutes an insurmountable impediment to effective decision-making. This results in governmental impasse, mutual vetoing and constant political bickering, as demonstrated by the protracted negotiations to form a new government between May 2018 and January 2019.

Other material structural constraints relate to the nature of Lebanon's geopolitical location. Lebanon is a landlocked country, and borders Israel (with which the border is closed) and war-torn Syria (with which borders have only recently been fully reopened). Though Syria occasionally closes its borders to blackmail Lebanon.

Trade has reduced as a consequence of conflicts and regional instability, making access to important markets (e.g., the Gulf, Iraq and Jordan) difficult or even impossible.

The internal transport situation is also problematic, with the road network in particular having been highly neglected. Similarly, electricity production is highly inefficient, which constitutes an obstacle for industry as well as everyday life in Lebanon. Lebanon's dysfunctional infrastructure has been further strained by the very high number of refugees in the country.

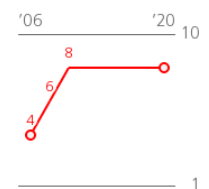
Lebanon has always been at the center of cultural, social and political activities in the Arab world and beyond. Freedom of association and freedom of expression are more extensive than across the rest of the Arab world.

New advocacy groups and defenders of civil liberties emerged during the 1990s and to some extent challenged the monopoly claimed by the sectarian political elites.

More recent developments include the 2011 anti-sectarian movement, the anti-domestic violence campaign and the civil marriage campaign. Since 2014, movements such as the "You Stink" group have organized protests against government inaction with regard to waste management. During the latest elections in 2018, independent candidates and political groups like Kulluna Watani have emerged as political contenders with closer connections to civil society than the traditional political elites.

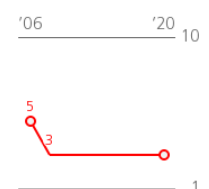
Structural constraints

8



Civil society traditions

3



A significant inflow of foreign aid after the 2006 war, and especially following the outbreak of the Syrian refugee crisis in 2012, spurred a rapid growth in the number and size of civil society organizations, especially organizations with a humanitarian agenda.

Increased professionalization and institutionalization occurred, but also a decline in the culture of voluntary involvement, with the civil society sector turning into a supplementary entry-level labor market for highly educated Lebanese unable to find employment elsewhere.

Online social media, non-formal networks of activists who form pressure groups on specific issues have also emerged. In 2019, the Civil Society Portal Daleel Madani (“Civil Society Guide”) had almost 900 national and international organizations registered as active in Lebanon. Government aid and the role of states in funding NGOs, including Gulf states with specific interests in Lebanon, risk politicizing civil society activity.

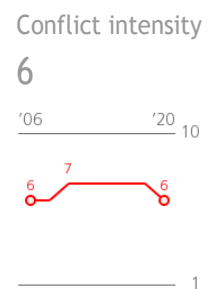
Civil society action is further limited by political and sectarian polarization, which affects the public sphere and restricts opportunities for nonpartisan civil activism. Very often social networks rely on extended family relations that blur into structures of local solidarity. These networks are structured along lines of seniority and are often tied to traditional authorities, contributing to the maintenance and (re)production of clientelistic patterns of political power.

Lebanon is locked in a dynamic of tension and conflict, which is rooted in the power dynamics of confessionalism in the country and is multiplied by the role of external state actors. States like Saudi Arabia, Iran, Syria and Israel have all played a role in stoking divisions within and sometimes violence that cuts across Lebanese society. However, this should not be understood as an internalization of external conflicts only. Instead, domestic sectarian actors seek the support of their regional patrons.

The conflict in neighboring Syria has had multiple effects. Syria has catalyzed the regional tensions that were also affecting Lebanon and has prompted the intervention of a dominant Lebanese actor, Hezbollah. Other less structured interventions from Sunni Lebanese groups have also played a less prominent role.

This conflict has also been a litmus test for Lebanon, which (contrary to the expectations of many observers) has not been dragged into the confrontation directly and has maintained a degree of relative stability.

While tensions remain high, Lebanon’s factions generally appear unwilling to escalate the conflict, at least as far as the situation stands now and not as a result of regional tensions.



The real elements of divisions between Lebanese groups regard domestic politics. If disagreements re-emerge over issues such as Hezbollah's weapons or the re-negotiations of confessional shares, these are likely to cause disruption.

II. Governance Performance

14 | Steering Capability

Lebanon's institutional system, and particularly its executive branch, prioritize and implement policies inefficiently. Whereas institutions, such as the central bank or the poorly equipped army, administer some crucial state functions, the executive relies on principles and methods that undermine effective governance. Frequent cabinet reshuffles hamper long-term planning. Between 2017 and 2019, the formation of the Hariri government – which came to power after Tammam Salam's government – was dogged by a governmental crisis, which resulted in fresh elections and was followed by a long government formation phase which is yet to be concluded.

The formation of each successive government requires lengthy negotiations between different political groups, which are influenced by external powers. Given the short duration of successive cabinets and the long transitional periods, it is no surprise that systemic strategic planning is rare.

In 2018, Hariri's government began to promote new, longer-term economic and infrastructure projects through the Capital Investment Program (CIP), supported by a wide array of international bilateral and multilateral financial institutions. On paper at least, this is an interesting and ambitious program, but its realization will be challenging and expensive, and is conditional on radical reforms of the Lebanese system.

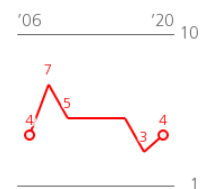
It should also be taken into account that the CIP has been designed and publicized during election periods and is mainly supported by one part of the political scene. Therefore, many observers skeptical that it will actually be implemented.

Lebanon's membership of the WTO is currently being considered, although it is proving to be a divisive political issue.

Question
Score

Prioritization

4



A direct consequence of the prohibitive governance structure of Lebanon is the constant incapacity and unwillingness of its political leadership to implement significant reforms of the status quo. All significant changes have usually followed armed clashes within the country or between Lebanon and other states (e.g., the Taif Agreement of 1989, the 2006 July War and the Doha Agreement following the May 2006 unrest).

Planned governmental reforms are usually blocked by the vetoes of political groups or by the unwillingness of the political class at large to implement measures that may undermine its privileges.

In 2017 and 2018, there were some minor steps forward, such as the implementation of a new electoral law. Though the law only slightly enhances the democratic record of the country. There is also some political commitment that Lebanon's very high public debt needs to be addressed, although little consensus regarding how. In 2017, the Hariri government tried to introduce a new tax on private income, although subsequent protests made the government withdraw the proposed measure.

There is overall consensus, at least rhetorically, that the country is in need of democratic reform and should introduce legislation more conducive to business. Yet, the conditions imposed by confessional power-sharing and mutual vetoes between political groups regularly undermines the possibility that such policies will be implemented.

The government formed in 2019 has a humongous task if it is to revive the Lebanese economy. The government is currently examining a long-term plan devised by the consultancy company McKinsey, which details a series of demanding reforms to be introduced between now and 2030, which the report claims will be necessary to re-establishing conditions for sustained economic growth. The report, nevertheless, has only been received with moderate interest and has been criticized by local economic experts.

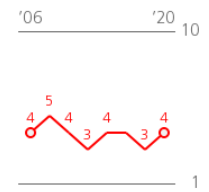
Lebanon has a lively academic sector and civil society, and an active entrepreneurial culture. This allows for ideas to circulate and creative policy development, but politicians are rarely willing or capable of committing to this process.

The 2018 elections were marked by a brief and belated phase of political evolution in the country. The Hariri government has commissioned a report by the consultancy firm McKinsey to delineate possible economic and political reforms that will drive economic growth and general wellbeing.

Made public in January 2019, the report was received a tepid reception from the caretaker government and some criticism from the local intelligentsia.

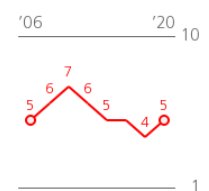
Implementation

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Policy learning

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It is telling that the country can be receptive and willing to learn about new policy paths, but that developments can be blocked by the structural context of domestic confessionalism and regional interferences in Lebanese affairs.

Another important example of policy learning is the Lebanese Crisis Response Plan, which is the Lebanese chapter of the regional U.N.-coordinated response to the Syrian refugee crisis. Notwithstanding the challenging nature of the situation, Lebanese and international coordination in this respect have produced a degree of policy exchange and consultation that was rarely if ever evident to a similar extent previously.

15 | Resource Efficiency

Confessional quotas dominate over meritocratic principles in the recruitment and promotion of civil servants. Over time, this has caused overstaffing and limited competition within the public administration. Therefore, highly qualified candidates often approach the more attractive and better-paid private sector or emigrate.

International and domestic observers of Lebanon's political activity have been very critical of Lebanon's budget management and public expenditure. The Lebanese state has been criticized for overspending on public administration and is under the scrutiny of international financial institutions for its very high public debt. In fact, Lebanon is reported as having the third highest debt-to-GDP rate in the world, currently 149% of GDP.

The Hariri government made some progress by successfully approving the 2017 and 2018 government budget laws, for the first time in several years. But this represents only a minor step forward considering the severity of the public debt issue.

In 2016, Lebanon spent 33% of its budget on public administration salaries, 6% on Electricité du Liban (a highly dysfunctional state-owned enterprise) and 32% was allocated to the payment of interest, which has left little latitude for investment.

Lebanon's public governance relies on a power-sharing system whereby all major parties take part in a national unity government. The rationale underlying this method is that national unity government is presumed to guarantee greater stability and allow all parties to veto unwanted decisions.

However, the outcome is that the government formation regularly turns into a months-long process, which stalls policy-making. Furthermore, once a government has been formed, effective governance is undermined by the fact that universal consensus is necessary for all major issues.

As a result, policy coordination is complex to achieve, and the most urgent and controversial issues (e.g., foreign policy, administrative reforms, and economic and fiscal policies) remain unaddressed because of a lack of consensus among the government members.

Efficient use of assets

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Policy coordination

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The years 2017 and 2018, with long phases of government formation followed by government and parliamentary paralyses, have further confirmed the challenges of policy coordination in Lebanon. It will be up to the 2019 Hariri government to change this pattern.

Supported by UNDP, the Ministry of State for Administrative Reform launched a long-awaited strategy report in 2018 to address corruption in Lebanon. Yet, this appears to be a belated and a minor measure, with little practical consequences given the severe situation of corruption in Lebanon.

The 2008 electoral law (Article 58) establishes that candidates cannot receive funding from foreign sources and limits access to other sources of funding. Yet, the law only applies to candidates and not to parties and is therefore limited in its efficacy. Candidates are supposed to submit a report on their expenditures, but these reports are not made public, which defeats the purpose of this practice. Furthermore, the mechanism of sanctions, which should follow in the case of irregularities, is vague.

Public administration and government activities are generally not transparent or open to public scrutiny and are rarely held accountable in the media. This makes it difficult for citizens to access information on the legality of political and administrative activities. There is no legislation in place that requires members of the administration, lawmakers or members of the government to declare their ownership of assets or income.

Public procurement has been criticized by domestic and international actors due to a lack of transparency and the interference of political actors in procurement bidding.

Anti-corruption
policy

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16 | Consensus-Building

The approval of a new electoral law in 2017 and the elections held in 2018 have been interpreted as marking an end to a long period of political paralysis, which was highly detrimental to the democratic record of the country. There is wide agreement within society that a transition from the current quasi-democratic system of sectarian-based power-sharing to a system based on equal citizenship is desirable and necessary, as mandated by the 1989 Taif Agreement and the constitution. However, the ways in which the political situation has evolved since the 2018 elections seems to point to yet another phase of stagnation.

The new electoral law and 2018 election result have reaffirmed the ruling political class's power and the continuation of the current situation more than opening options for reform. The preservation of stability and security remains the mantra that justifies the preservation of the status quo.

Public opinion polls indicate that most Lebanese people support a nonsectarian "citizen-state" as a long-term vision, but they do not expect this ideal to become a

Consensus on goals

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reality in their lifetime. To date, all political parties have been unwilling to reconcile their contradictory communal and narrow interests with this vision. The political representatives of communities with shrinking populations, such as Christian communities, are concerned that abolishing the sectarian quota will harm their political standing and access to resources.

Lebanon is a relatively free market economy mostly due to the fact that the state is a weak institutional actor. The years 2017 and 2018 have been characterized by calls for greater private-sector activity, especially with regard to investments in infrastructural development.

In principle, all relevant political actors agree on a market-based economy. Nuances exist between the “March 8” coalition’s (Hezbollah, Free Patriotic Movement and similar parties) emphasis on a stronger state development role and reservations about privatization, and the “March 14” coalition’s (Future Movement, Lebanese Forces, Kata’ib and similar groups) orientation toward market liberalism.

The conditions for investment, however, are not favorable due to the uncertainty created by the perceived lack of institutional guarantees and the weak rule of law. These state deficiencies channel investments and economic activity in the confessional and family-based structures of the country, instead of allowing for genuine competition. The result is that, while most political actors are generally committed to a relatively free market in practice, most economic activity is based on traditional networks that undermine competition and favor patron-client relations.

The 2018 elections symbolically indicated a public will to return to the practices of democracy after a long period of political paralysis.

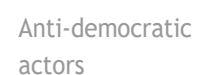
However, the elections remain only symbolic because this desire for democracy in the country failed to give power to political groups or individuals with a genuinely reformist agenda.

This is especially true if we consider the fact that the election featured the participation of independent candidates who were less dependent on confessional dynamics.

The power of confessionalism, embodied by political groups that rely on confessionalism as the source for their legitimacy, fundamentally undermines the possibility of implementing a fully democratic system.

Security concerns and fears about instability, exacerbated by the regional events that began in 2011, are additional factors that further diminish the possibility of establishing the conditions for full democratic governance.

In Lebanon, no party or political leader voices outspoken anti-democratic stances, but almost all claim that greater democratic freedom in the country could be destabilizing and risk plunging society into conflict.



Although there are civil society groups and individuals that call for genuine democratic reform, political elites and more conservative sectors of society prioritize the idea of security over the representation of popular will and therefore legitimize the perpetuation of the status quo instead of embracing a reformist path.

Lebanon's political leadership remains incapable (some may argue, unwilling) to reduce existing divisions and prevent cleavage-based conflicts.

The confessional system serves as a double-edged sword. While the sectarian system allegedly guarantees the peaceful coexistence of Lebanon's 18 confessional groups, it also crystallizes differences into irreconcilable political antagonisms, preventing the formation of a unified national texture.

The result is that the institutional system is based on consensual mechanisms that demand unanimity for policy-making and eliminate the possibility of majoritarian decision-making.

This is deemed the only possible form conflict management in the country, but it means that key policy issues remain largely unaddressed due to irreconcilable identity and parochial interests.

The achievement of an agreement on the new electoral law of 2017 and the elections held in 2018 indicate that in the long term all political differences can be mediated, but only through a very time-consuming process and that any decisions will only minimally (if at all) alter the status quo.

Despite Lebanon's vibrant civil society, only on rare occasions does civil society involvement result in political transformation. Though a few examples (e.g., the ban on smoking in public spaces and the modification of legislation concerning the punishment of violence against women) represent an exception to normal practice. Instead, civil society organizations find space for their activism in horizontal context whereby they cooperate with other sectors of society, for example, through humanitarian or cultural action rather than directly political activism.

Politics in Lebanon remains the realm of confessionalism and family networks, which perpetuate the traditional power structure, excluding more independent and innovative voices from the political process.

Lebanese society is permeated by dense and partly formalized clientelistic networks based on kinship. These networks are hierarchically organized and generally lend unquestioning support to confessional leaders. Politicians cultivate the support of these networks and, in particular, from so-called key voters who command the votes of sometimes large groups of individuals.

The 2018 elections were particularly representative. The elections were based on a law that was supposed to be drafted in consultation with civil society but nevertheless

Cleavage /
conflict
management

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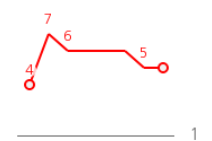
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Civil society
participation

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ended up reflecting the priorities of the political elites. Notwithstanding this, independent candidates and the political group Kulluna Watani attempted to break the confessional hold over power. Though only one independent candidate was eventually elected (Paula Yacoubian). Yet, just the presence of independent candidates demonstrated the willingness of civil society to make a difference, despite the overwhelming resilience of the dominant political elites.

While no serious peacebuilding or reconciliation processes were undertaken following the end of the civil war until parliament's "landmark law" of November 2018. The law establishes a national commission to investigate the disappearances of an estimated 17,000 people, which can be seen as a real turning point – assuming the commission will be able to conduct its investigations properly.

The fact that many prominent political actors in both camps were militia leaders and warlords, fuels distrust and mutual fear between communities. Michel Aoun's election as the new president is an indicator of the strength of the old guard, which has accepted the disarmament, but which still claims control over areas of the country in a political struggle that is a continuation of the conflict.

The leaders have further resisted the strengthening of the judiciary, for fear of being prosecuted for crimes and infractions committed during the war and after.

Yet, at a societal level, there have been informal reconciliation initiatives. For example, the historical Maronite-Druze rapprochement in 2000, with the patriarch's visit to Walid Jumblatt residence epitomizing reconciliation between two opposed factions.

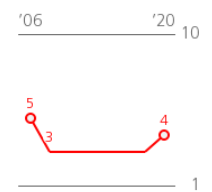
Furthermore, several Shi'a and Sunni clerics regularly argued for reconciliation over sectarian tensions in their public speeches and stances, for example, over polarized confrontations in Tripoli in 2013.

This seems to indicate how at a social level there could be much more potential for a durable reconciliation among Lebanon's groups, but political elites are unwilling to acknowledge this.

An even more complex situation characterizes the role of the Special Tribunal for Lebanon, which oversees the investigation into the murder of former prime minister Rafiq al-Hariri and other connected crimes. The very existence of the tribunal indicates the need for the judiciary to be supplemented by an international judicial institution to pursue this case. Yet, the effectiveness of this institution is contested and its slow proceedings are further undermining its credibility.

Reconciliation

4



17 | International Cooperation

Since the beginning of the crisis in Syria, the Lebanese authorities have capitalized on its repercussions to portray Lebanon as having been deeply affected by the humanitarian emergency. This approach has been justified by the massive displacement of Syrian refugees to Lebanon, which has peaked at over a million refugees.

As a result, international multilateral agencies and states have come together to support the humanitarian efforts of Lebanon's institutions, and respond to the repercussions of the crisis on Lebanon's infrastructure and population. The years 2017 and 2018 marked a shift from an emergency approach based mainly on humanitarian directives to the idea of creating the conditions for a more permanent developmental process. The government of Saad Hariri has advanced a proposal for an ambitious Capital Investment Program (CIP), which proposes a comprehensive overhaul of the country's infrastructure.

This program aims in the medium term to alleviate the economic impact of the Syrian crisis on Lebanon by facilitating investment, economic growth and employment, while in the long term aims to modernize the country.

International cooperation is the main financial foundation for the CIP, and the Hariri government has demonstrated its skill in catalyzing international attention from supporting Western states and multilateral agencies. The most significant event connected with the idea of launching an international platform for the development of Lebanon was the CEDRE conference hosted by France in Paris in April 2018.

The conference led to a pledge of over \$11 billion from states, international organizations and investors to support the CIP. In exchange, the partners of the project have demanded substantial political and economic governance reforms, which will be challenging to achieve.

While the idea of global infrastructural projects is ambitious and will be difficult to achieve, it demonstrates the presence of an international group of supporters for Lebanon that could potentially make this a reality.

Yet, a more realistic approach to Lebanon's international cooperation strategy argues that the situation in the country is still that of a humanitarian emergency. Notwithstanding the fact that most of the political parties in the country have been calling for the return of Syrian refugees to their homeland, the number of refugees is still high and therefore the need for international support for this issue persists.

Effective use of support

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Lebanon will continue to need to take advantage of U.N.-led programs that aim to address the humanitarian situation, while trying to upgrade to a more comprehensive and long-term strategy for infrastructural development.

A final aspect concerning international cooperation with Lebanon relates to the military sector. In previous years, Lebanon has been the recipient of military aid in hardware and training especially from Western countries worth billions of U.S. dollars. This has led to some advancement in the skill and equipment of the Lebanese Armed Forces and the Internal Security Forces. Lebanon's international credibility as a recipient of military aid continued through 2017 and 2018. In March 2018, Italy hosted the Rome II conference, which led to the renewal of multiple international pledges in support of the Lebanese army and security forces.

The election of the president of the republic in 2016, the parliamentary elections of 2018 and the formation of a new government in 2019 have marked the end of a long period of institutional paralysis, which had begun with the beginning of the Syrian crisis in 2011.

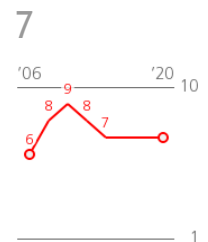
This has created momentum and reinforced Lebanon's international credibility, as Lebanon's international partners have acknowledged that the recent presidential and parliamentary elections were steps in the right direction. The Hariri government further tried to enhance the reputation of the country in 2018 by stating the government's intention to address the question of public debt. For the first time in several years, the government managed to approve a budget law in 2017 and 2018, signaling the government's intention to achieve greater fiscal stability. In March 2017, the government also tried to raise taxes on private income, but this measure led to civil unrest and street protests, and was eventually withdrawn.

Nevertheless, signs that Lebanese institutions are perceived as a credible partner for international cooperation are increasingly mixed.

The experience of humanitarian cooperation with regard to the Syrian refugee crisis has overall been positive and has consolidated the skills and know-how of certain ministries (e.g., the Ministry of Social Affairs, and the Ministry of Interiors and Municipality) in humanitarian matters and international cooperation.

With regard to international security and peacekeeping, however, the country's credibility has been affected by the situation in the south where the UNIFIL mission operates. In December 2018, Israel discovered four tunnels, some of which reached Israeli territory. These constitute an element of tension that highlight how Hezbollah is operative in this area while UNIFIL has the challenging task of defusing tensions between the two enemies. The discovery of these tunnels has undermined the credibility of the Lebanese Armed Forces and government, as a partner of UNIFIL in maintaining peace and security in the region.

Credibility



Finally, the credibility of Lebanon in the eyes of its international partners has been undermined by the long period of government formation that ended in May 2018. The protracted governmental vacuum indicated the arrest of what was initially interpreted as a possible new beginning in Lebanese politics.

Lebanon is member of many international and regional organizations, such as the League of Arab States (LAS) and the Organization of the Islamic Conference (OIC). Yet, its regional cooperation with MENA countries is very much based on confessional and ideological dynamics. There is also a degree of personalization in politics that makes foreign relations dependent on the configuration of power in Lebanon and the relative position of such “clients” of regional actors within the domestic power structure. For example, Hariri has very close relations with Saudi Arabia (although these ties have been seriously strained recently), Syria has several personal emissaries operating on the Lebanese political scene and Iran maintains an influence in Lebanon through Hezbollah.

In trade and tourism, the Gulf countries (particularly Saudi Arabia) are important partners. Though the Syrian conflict has had significant repercussions on Lebanon’s relations with the Gulf countries, as safety concerns have undermined tourism in Lebanon, and because Syria was the only land connection between the Gulf countries and Lebanon.

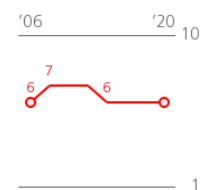
In 2006, the Lebanon-EU Association Agreement entered into force, facilitating industrial and agricultural trade between the two entities. However, the benefits of the association agreement for Lebanon have been questioned in recent reports, although the continuation of the agreement has never been questioned.

Recent changes in the Syrian conflict could potentially lead to important developments in several areas. The re-opening of the Syrian borders could re-establish Lebanon’s connection its trade partners. But the restoration of the Syrian government in regional politics seems like it will reinvigorate Syrian influence over Lebanese domestic affairs.

In 2019, Lebanon has been attempting to portray itself as a hub for regional relations and has attempted to facilitate the normalization of relations with Syria. Lebanon hosted the Arab Economic and Social Summit in January 2019, although the occasion turned out to be a display of disunity and hostility among the invited countries. Disagreement has emerged in the region with regard to question of Syria’s readmission to the League of Arab States. The difficult relations between Lebanon and Libya also played a major role in undermining the outcome of the summit, which was largely attended by low profile emissaries and was not by Syria, and failed to produce a significant document outcome. The Beirut 2019 Arab Economic and Social Summit has turned out to be a clear manifestation of division within the region, within Lebanon, and between Lebanon and its regional counterparts.

Regional cooperation

6



Strategic Outlook

After years of political paralysis and having suffered heavy economic losses due to the convergence of domestic political paralysis, the Syrian conflict and regional instability, the years ahead are crucial for the beginning of a new phase for Lebanon.

The top priorities for the Lebanese government should be structural reform of political and economic governance in the country. The formation of the current government has already delayed this for too long and this delay indicates that Prime Minister Saad Hariri is under substantial pressure from competing parties, which will likely limit the government's ability to govern.

Political action should be realistic and pragmatic and begin by addressing the administrative challenges concerning the provision of basic services to the Lebanese population. These include electricity, collection of waste, and the maintenance or development of transport infrastructure. The government should capitalize on its lively civil society and academic environment to build public momentum and initiate a phase of change driven by the demands of ordinary Lebanese.

A crucial priority is the management of public debt. The slowing down of the economic growth has exacerbated the conditions of Lebanon's public finance and highlighted the unsustainability of country's public debt, which is proportional to GDP one of the highest public debts in the world. The country needs to address domestic and international concerns related to this situation to avoid the fear of default.

The projects that have been developed over recent years, such as the Capital Investment Program (CIP), and related international conferences have shown that there is a will to reignite investment and economic growth in Lebanon. This is especially relevant now that a relative normalcy of the political process has been re-established and the Syrian conflict appears to be concluding. Yet, the implementation of these projects is subject to the creation of an environment conducive to greater trust in Lebanon among investors and international lenders. If the Lebanese political leadership wants to demonstrate that Lebanon's infrastructural projects are not hot air, it will have to push hard to implement reforms to guarantee greater fiscal rigor, create legal conditions for safer investment, and establish mechanisms to investigate and sanction corruption. The CIP, in Hariri's view, will stimulate economic growth, employment and put Lebanon back on a development track. The program's critics point out that the program risks adding to the already high public debt while not delivering on its promises.

Other situations to be addressed concern Lebanon's foreign policy and its regional position. The country has no interest in becoming involved in any conflict in the region, neither in Syria nor with Israel. All parties should exercise maximum restraint to increase the possibility of achieving stability. The Lebanese government should do its best to establish its credibility as a sovereign regional and global actor. The influence of states like Iran, Syria, Saudi Arabia, the growing role of Russia, and the country's dependency on Western funds and aid undermine the credibility of

the political class and, by extension, the country in the eyes of both domestic and international stakeholders. Nevertheless, Lebanon remains dependent on its foreign patrons. Among the country's many objectives, the government should prioritize a coherent policy of disentanglement from foreign interference while maintaining domestic stability.