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## Lebanon on the edge

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### **BACKGROUND – PRECARIOUS STABILITY**

Lebanon has frequently been praised for its resilience in the face of regional turmoil.<sup>1</sup> The country has so far managed to stave off collapse despite the wave of Arab uprisings, institutional and political gridlock, the presence of Syrian refugees who account for almost a quarter of Lebanon's population, the involvement of Lebanese parties in the Syrian conflict, and external pressure from regional and international powers. However, Lebanon's stability is precarious. On the eve of the long-delayed parliamentary elections, slated for 6 May, and as the European Union (EU) seeks to foster resilience in its neighbourhood, a closer look at the political dynamics in Lebanon is warranted. One should not expect that these elections will lead to a fundamental renewal of the country's dysfunctional political system, but turning a blind eye will only further entrench the underlying fragility of Lebanon's political system.

The EU maintains a longstanding and close cooperation with Lebanon within the framework of the European Neighbourhood Policy (ENP). As set out by the ENP review of 2015, these efforts have most recently been focused on stabilising the country and the EU's Southern Neighbourhood in general. To this end, three EU-Lebanon Partnership Priorities have been put into action for the period 2017-2020: fostering growth and job opportunities; governance and rule of law; and regional stability, security and countering terrorism. In addition, Lebanon receives funding in the form of aid to mitigate the impact of the Syrian crisis. Since 2011, the country has received close to EUR 1 billion, which includes support for Syrian refugees and for sustaining vulnerable host communities. At the same time, the EU Global Strategy (EUGS) has made resilience, described as "the ability of states and societies to reform, thus withstanding and recovering from internal and external crises", the overarching framework for the Union's role in the world and a priority for the MENA region, as well as a vital interest of the EU.

The EU and other international donors have identified two main dimensions of Lebanon's resilience. Firstly, the capacity of the country's institutions and society to face crises by coming together and finding consensus on the basis of communal solidarity. This has been the case with respect to the war in Syria. The government's policy of dissociation from the Syrian war and wider regional conflicts allowed the country to stay neutral, for instance by avoiding meetings with the Syrian regime at government level. Social cohesion was also on display when coping with the massive challenge of hosting a large number of refugees from neighbouring Syria.

Secondly, the financial resilience of Lebanon has been identified as another element of stability in the face of aggravating economic conditions, as the Central Bank's policies have helped mitigate risks and maintain confidence.<sup>2</sup> However, the same factors that contribute to the country's relative stability in the short-term also constitute some of the structural weaknesses that perpetuate its fragility. These weaknesses are deeply rooted in a polarised political class, dysfunctional institutions, deteriorating living standards, and social divisions.<sup>3</sup> The upcoming elections should serve as a catalyst to revive the debate on Lebanon's governance and assess if conditions to change the current *status quo* will emerge.

## STATE OF PLAY – DEEP-ROOTED DESTABILISING TRENDS

Since the end of the civil war in the early 1990s, Lebanon has been confronted with a number of serious threats including attacks by neighbouring Israel (1993, 1996, 2000, 2006), internal crises and the protracted Syrian conflict. Throughout this time, the country has adapted and managed to muddle through despite enormous pressure on Lebanon's politics, society and economy. A recent example is Lebanon's commitment to the policy of dissociation. To maintain it, rival groups in the Lebanese political spectrum have agreed to coexist in successive national unity governments. These factions are mainly aligned in two coalitions: one that is pro-Syrian and backed by Iran, the so-called 'March 8' alignment, and one that opposes the Syrian regime and is supported by Saudi Arabia, known as 'March 14'. The power-sharing practice adopted by this political class has allowed the country to maintain a relative stability, but it has also reinforced a ruling elite that contributes to the country's vulnerability. This is the same elite that took part in the civil war (1975-1990) by either leading or financing armed forces, only to then divide and share power amongst themselves with the 1989 Taif agreement, "granting each other amnesty and re-entering the game of parliamentary elections through an intricate web of clientelistic relations".<sup>4</sup> This system has endured ever since, benefiting what has been defined as a "contractor bourgeoisie"<sup>5</sup> that has an iron grip on state institutions and acts as an intermediary between the state and society. This system, together with the constant use of a polarised political discourse, has paralysed institutions, leaving governance essentially in the hands of unaccountable networks vulnerable to external influences and tied to the ruling elite through patronage and clientelism.

The influx of some 1.1 million Syrian refugees has highlighted both the strengths and the weaknesses of Lebanese politics and society. It has demonstrated a willingness to share limited resources despite the political, economic and social turmoil and hardship that are fuelled by the neighbouring conflict. However, the Lebanese government has failed to invest sufficiently in infrastructure or create job opportunities to help reduce the strain of the refugees' presence on host communities. The support of the international community to sustain the livelihood of refugees and to alleviate the grievances of the Lebanese population has also enabled the Lebanese government to elude some of its responsibilities. Not only is Lebanon's ability to deal with the refugee crisis now dependent on international donors as a result, but their intervention has further delayed the formulation of long-term policies for the country's development. The Lebanese people are thus even more reliant on private initiatives to ensure their survival and heavily dependent on patronage networks.

The economic situation in Lebanon has also significantly worsened as a result of the neighbouring conflict. As recently noted by the International Monetary Fund (IMF)<sup>6</sup>, sluggish growth, an enormous debt rapidly rising beyond 150% of GDP and a persistent annual deficit of more than 20% of GDP reveal the urgent need for macroeconomic stability policies. Deep-rooted inequalities, high poverty levels and a lack of perspective for young people (37% of whom are unemployed according to recent estimates) further complicate the picture. Lebanon's financial resilience depends largely on the ability of the Central Bank (Banque du Liban) to maintain the exchange rate and the profitability of commercial banks.

These banks, whose major shareholders belong to the political elites and "contractor bourgeoisie"<sup>7</sup> described above, refinance government lending by drawing deposits from a few big investors. Another significant source of these deposits are high net worth individuals from the Gulf-based diaspora, who are more likely to withdraw their money in times of crisis. At the same time, the investors' confidence relies on guarantees provided by international donors, especially Saudi Arabia. This system ultimately forces public authorities to cater to private interests and rely heavily on foreign actors.

Against this background, 2017 was a year of significant developments. A prolonged political stalemate only ended with the election of President Michel Aoun, Hezbollah's preferred candidate, and the subsequent formation of a unity government headed by Prime Minister Saad Hariri, from the coalition traditionally backed by Saudi Arabia. The temporary resignation of Hariri, linked to Riyadh's disappointment with the compromise reached with Hezbollah that allowed it to elect the new president and form the government, has revealed the fragility of the renewed power-sharing system. Nonetheless, the deal on the new appointments has unlocked other pending issues and paved the way for an agreement on a long-disputed parliamentary election law and for holding overdue elections.

The latter may offer an opportunity to start a gradual renewal of the political class and pave the way for important structural reforms. Many have seen the adoption of proportional representation as a step in the direction of a more representative system.<sup>8</sup> In addition, independent forces in civil society that are opposing the current ruling class system and practices, such as the Beirut Madinati movement, and a group of activists and technocrats with a programmatic agenda to prioritise "the primacy of the public good, social justice, transparency, and stewardship of our city for future generations", have come to the fore during the 2016 municipal elections in Beirut by winning

roughly 40% of the vote. They are also now taking part in the parliamentary elections. However, some measures under the new parliamentary election law, such as introducing the preferential voting system, relaxing electoral spending limits and permitting the practice of charitable organisations offering services that can result in directing electoral choices, also favour traditional parties with greater financial capacity and could create the right conditions for clientelism and electoral fraud to thrive. Hence, if these elections do not prove to be the turning point that many hope for, there are nevertheless innovations that need to be monitored and potential opportunities for change in a context of longstanding political stalemate and deceptive resilience.

## **PROSPECTS – NEED FOR REFORM DESPITE LITTLE CHANGE**

While it is difficult to predict the actual results of the upcoming elections, it seems that they will not lead to a fundamental change. Pollsters are puzzled and the impact of the new electoral system will prove to be crucial. Traditionally, voting in Lebanon is based on confessional belonging, local interests and clientelism. With the new electoral law, much will depend on a possible change of electoral behaviour and on the participation of those who in past elections were not voting out of disillusionment.

The closing of the registration for the candidate lists at the end of March did not bode well for the chances of political renewal. The political landscape is changing more on the basis of mere electoral calculus rather than as a result of a genuine diversification of the political offer. Parties of the ruling elite are shifting alliances in different constituencies beyond the consolidated political coalitions that have divided them since 2005 (the March 8 and March 14 alignments) to make sure they reach the minimum threshold for the election of candidates.

On top of that, the campaign debate has been charged with violent sectarian discourse, with very little mention of concrete problems related to the country's resilience, except for vague references to the fight against corruption. An emerging coalition of independent forces, including Li Baladi, a list composed of former Beirut Madinati members, and the You Stink! movement, is running with 66 candidates in 9 constituencies in an effort to create a political alternative. They have presented a plan to trigger real political debate and denounced the self-preserving tactics pursued by established political forces, including not only the *ad hoc* alliances but also, for instance, making the media presence of candidates subject to payment.<sup>9</sup> However, the conditions for the emergence of a renewed political class do not look favourable. And the attention of the international community will mostly be focused on whether Hezbollah and its allies will gain ground and what the reaction will be of other international powers, notably Saudi Arabia and Israel.

While unlikely to be a priority, change is urgently needed. Strengthening the country's institutions and addressing the factors at the roots of Lebanon's precarious stability should be at the top of the post-election political agenda. Urgent matters include the promotion of accountability within the state apparatus, the fight against corruption and a policy towards Syrian refugees that not only emphasises the security aspects, but also involves social justice and the provision of infrastructure and services through a rights-based approach for both the refugees and the local population. What has been lacking so far (in the past 30 years) is political will. If the election result is a reconfirmation of the ruling elite there seems to be little prospect for transformation.

The international community, and in particular the EU, is closely monitoring the elections and developments on the ground. The EU has deployed an Election Observation Mission (EOM) and three international conferences are taking place in the first half of 2018 to consolidate international support for Lebanon's security and economic endeavours. However, the approach so far seems to legitimise the rule of the current elite, thus undermining the long-term stability of the country.

The prevalent understanding in EU circles is that stability in Lebanon is determined by cross-sectarian alliances, by the adherence to the dissociation policy from regional conflicts and by the behaviour of traditional ruling forces.<sup>10</sup> This view is short-sighted. There needs to be a stronger focus on reform and a bolder engagement in reviving the interaction between state and society and in making state policies more accountable. Engagement with independent interlocutors that are emerging at the national level will be critical to advance towards these objectives, for instance by facilitating a national dialogue on reforms that include these voices.

There should also be greater emphasis on how international conferences and aid funding are planned out and interact with the Lebanese context. Recently, Prime Minister Hariri presented his Capital Investment Plan (CIP) to the international community at the CEDRE conference in Paris on 6 April and agreed with investors on various economic measures, such as fiscal discipline, sector reforms for electricity and water and the diversification of the economy, just a month before the elections. Such practices, so close to the elections, could interfere with the results. Of course, the international community needs to engage in discussions with the Lebanese government on funding for infrastructure and reform plans, but it should also be careful that this does not simply provide an

opportunity for electoral campaigning, with little political will to follow up on commitments. That is why close monitoring will be crucial. The CIP in particular presents reform proposals that would require a higher level of accountability, a stronger state able to implement programmes and a national vision that prioritises the social impact of investments. All these requirements seem to be lacking at the moment. In addition, the plan will be funded by external lenders and donors, or private investors, and could eventually plunge Lebanon into further debt to pay for the envisaged projects. At the same time, the willingness of the investors to weigh in may ultimately depend on Lebanon actually fulfilling its reform promises, and that may take time.

The recent trend to expand the engagement of the private sector, such as through the Global Concessional Financing Facility (GCCF) and the European External Investment Plan (EIP), will facilitate further funding. An announced EIP package of EUR 150 million aims to generate up to EUR 1.5 billion in concessional loans for Lebanon until 2020 to support the CIP. To take full advantage of these opportunities, international donors need to implement stricter rules in the disbursement of funds and ensure transparency, accountability, inclusiveness as well as constant consultation with civil society and marginalised groups. These should be fundamental requirements for a renewed dialogue between the international community and the country's authorities after the forthcoming elections. The fact that the EIP grant has been linked to the adoption of reforms may go in this direction. Adhering to the discourse of commending Lebanon's resilience while neglecting the dynamics that are actually undermining its stability will only provide more space for deterioration.

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*The views expressed in this Policy Brief are the sole responsibility of the author.*

- <sup>1</sup> Most recently by HR/VP Mogherini at the "Rome II Ministerial Meeting to support the Lebanese Armed Forces and the Internal Security Forces" available at: [https://eeas.europa.eu/headquarters/headquarters-homepage/41450/speech-high-representativevice-president-federica-mogherini-rome-ii-ministerial-meeting\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/41450/speech-high-representativevice-president-federica-mogherini-rome-ii-ministerial-meeting_en). At the occasion of a visit to the country in December 2017 she also said: "Lebanon is like a cat, nine lives and probably many more. And like cats, you always land on feet, luckily", available at: [https://eeas.europa.eu/headquarters/headquarters-homepage/37656/high-representative-ahead-lebanon-visit-beirut-support-lebanese-institutions-focus-their\\_lv](https://eeas.europa.eu/headquarters/headquarters-homepage/37656/high-representative-ahead-lebanon-visit-beirut-support-lebanese-institutions-focus-their_lv)
- <sup>2</sup> For instance the Single Support Framework for 2014-2020 states: "the country exhibits significant financial resilience" at page 3, available at: [https://ec.europa.eu/europeaid/sites/devco/files/ssf-lebanon-2014-2016\\_en\\_0.pdf](https://ec.europa.eu/europeaid/sites/devco/files/ssf-lebanon-2014-2016_en_0.pdf)
- <sup>3</sup> For a full account of these dynamics, see a recent paper of Jamil Mouawad, *Unpacking Lebanon's Resilience: Undermining State Institutions and Consolidating the System?*, Roma, IAI, October 2017, available at: <http://www.iai.it/sites/default/files/iaiw1729.pdf>
- <sup>4</sup> As well summarised by Carmen Geha in *The Syrian Refugee Crisis and Lebanon's Endemic Deadlocks: Trading Reform for Resilience*, available at: <http://www.mei.edu/content/map/syrian-refugee-crisis-and-lebanon%E2%80%99s-endemic-deadlocks-trading-reform-resilience>
- <sup>5</sup> Hannes Baumann, "The 'new contractor bourgeoisie' in Lebanese politics: Hariri, Miqati and Faris" in Are Knudsen and Michael Kerr (eds.), *Lebanon After the Cedar Revolution*, Oxford and New York, Oxford University Press, 2013, p. 125-144.
- <sup>6</sup> Concluding statement of the 2018 Article IV mission, IMF, available at: <https://www.imf.org/en/News/Articles/2018/02/12/ms021218-lebanon-staff-concluding-statement-of-the-2018-article-iv-mission>
- <sup>7</sup> Jad Chaaban, *I've Got the Power: Mapping Connections between Lebanon's Banking Sector and the Ruling Class*, Working Paper no1059, Economic Research Forum, October 2016.
- <sup>8</sup> See Scarlett Haddad, *La formation des listes, une bataille pour les dimensions politiques*, *L'Orient le Jour*, March 2018, available at: <https://www.lorientlejour.com/elections/article/1107321/la-formation-des-listes-une-bataille-pour-les-dimensions-politiques.html>
- <sup>9</sup> Interview with Wadih Al-Asmar, Secretary General of the Centre Libanais des Droits Humains and an active member of the coalition.
- <sup>10</sup> Interviews with EU officials.

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