1. Introduction

“... Lebanon may have featured as a textbook case of civil war and sectarian conflict, but it is less likely to get an entry in a manual for post-war recovery.” (Leenders, 2003)

As civil wars have, in the last few decades, overtaken traditional state wars and come to be the dominant form of violent conflict, Lebanon, with its history of 15 years of civil war, holds a wealth of lessons for anyone attempting to understand the social, political and economic dimensions of conflict and post-conflict peace-building. However, Lebanon’s specificities, both internally and in the regional context it finds itself in also make its intricacies exceptional and put limits on the similarities that the case of Lebanon bears to other cases and the applicability of its practices elsewhere.

The Lebanese civil war is an overlay of a multitude of conflict, some of which bear the properties of any identity-based conflict, while others are specific to the region’s history making the label “civil war” misleading, better replaced by Lebanese “civil wars”. So while sectarian strife both was fed and fuelled by regional divisions and was the domestic reflection of both regional schisms and underlying internal economic and class differences, and while intra-sectarian violence was rampant within most sects at various stages of the war, sectarian divisions remained the principal axis of tension in the war, or was perceived to be so by the main players. As such, it was the defining ethos of the Ta’if Agreement, the power-sharing agreement that brought an end to the 15 years of civil war between 1975 and 1990.

In this case study, we attempt to draw as much from Lebanon’s last two decades as we find useful for understanding trends and phenomena that are not specific to the Lebanese context, but are rather endemic to post-conflict situations and relevant to the three broad headings that structure the present effort to understand the peace and post-conflict development nexus: power sharing agreements, service delivery and macroeconomic policy.

This paper is organized as follows: Section 2 provides a historical overview of the powersharing agreements in Lebanon. Section 3 describes the Ta’if Agreement and discusses the most relevant aspects of the agreement as well as the major players involved, both domestically and regionally. Section 4 focuses on service delivery and participation. It surveys the steps taken towards decentralization and discusses the effectiveness of public and private actors at service delivery and the extent of participation and accountability in the post-war period. Section 5 turns to macroeconomic policy and starts by briefly describing the history of macroeconomics in Lebanon, provides a quick sketch of the economic effects of the war, then discusses at length the fiscal and monetary policies of the successive post-war governments in Lebanon. Section 6 concludes.

2. Historical Background of the Post-War ‘Ta’if Republic’

A. Historical Background

Even before its creation as an independent state in 1920, Lebanon was ruled through power-sharing systems of governance. These governance systems were devised as systems of managing vertically divided societies, and more specifically in the case of
Lebanon societies divided along sectarian affiliations. Sectarian power-sharing formulas characterized the Lebanese system since 1840, or since what later came to be known as the roots of the modern Lebanese state. Prior to this date, a non-sectarian *muqatajis* system was in place whereby “the overarching political factions dividing Mount Lebanon’s society ... were non-confessional clan-alliances, based on genealogical, local and personal loyalties” (Scheffler, 1999). The historical conditions surrounding the transformation of sectarian identity into the main structuring principle of the Lebanese political system are rooted in the developments that marked the 19th century. These factors coalesced, leading to the formation of a sectarian polity, institutionalized at first by the *qa’im maqqamyah* system. This short-lived system was followed in 1861 by the *Mutasarifiyya* system, extending in practice the sectarian logic to the whole administration. These early forms of sectarian governance set the bases for the future development of Lebanon’s governance structures.

Following the break-up of the Ottoman Empire, the formation of Lebanon and the establishment of the French mandate (1920-1943), a new political system was established, one that retained the sectarian system of power-sharing. The terms of the League of Nations’ Mandate for Lebanon explicitly guaranteed the autonomy of the religious groups in managing their internal affairs and maintaining their own educational system. With the independence of Lebanon in 1943, the National Pact and Lebanese constitution formalized the sectarian power-sharing formula. The National Pact is an informal division of political power between the diverse communities, and most importantly between the Christian Maronites and the Muslim Sunnites. This pact broadly sketches the rules of the political game: cohabitation and division of posts between communities internally and a neutral position towards international affairs. The constitution states explicitly the rights of the religious communities to have their autonomy in the management of their internal religious affairs, personal status laws and education (Articles 9, 10 and 95). During this period, the main characteristics of the political system were ‘formalized’: division of the three main presidencies between the Maronite, Sunni and Shiite communities, division of the parliament along sectarian lines with a ratio of six Christians to five Muslims, informal division of the cabinet along sectarian lines, distribution of administrative posts by sects, etc.

The successive refinements of the power-sharing system over this period were not enough to stop Lebanon from descending into a long and bloody civil war. The 1975-1990 civil war was seen by many as a sign of the failure of this manner of managing divided societies. The underlying rationale of power-sharing systems is to politically

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1 There are currently eighteen legally recognized sects in Lebanon. Even though the official political distribution of power caters for all the eighteen recognized sects, the two main lines of division are (1) between the Christians and the Muslims and (2) between the main six sects: on the Christian side, the Maronite, the Greek Orthodox and the Greek Catholic communities, and on the Muslim side, the Sunni, Shiites and Druze communities. The demographic weight of each community is a closely guarded secret. Any disclosure of official figures might threaten the tenuous distribution of political power, which explains why the last official population census dates back to 1932. Unofficial figures estimate the Christian share of the population at 53 percent of the population 1943, decreasing to 42 percent in the 1980s. See Mc Dowall (1986, 9) and Chamie (1980, 177). Current unofficial estimates put the distribution of the population at 35 percent Christian and 65 percent Muslim.

2 For a more in-depth historical overview of the emergence of sectarianism and the sectarian political system, see Chevallier (1970) and (1971) and Trabulsi (2007); for a Marxian account, see Dahir (1986); for a ‘post-colonial’ reading of sectarianism, see Makdisi (2000).

represent the various relevant groups as a way to mitigate their potential for conflict and to reduce the possibility of sectarian domination. Nevertheless, these arrangements face a number of pitfalls, such as the inability to centralize decision-making, the lack of flexibility, the fragility of an uncertain system, the need for international arbitrage and external players to regulate conflicts, the propensity of domestic parties to question the power-sharing agreement and the self-reproducing character of this system. The civil war indicated that the Lebanese power-sharing system failed to avoid these pitfalls, reproducing the causes of the conflict it was supposed to mitigate.

B. The Civil War

Even though the Lebanese civil war indicated that the existing power-sharing system was deficient, its causes cannot be solely related to inter-sectarian dynamics. Regional elements played a very important role in igniting the civil war, subjecting the Lebanese system to pressures that it could not handle. The Arab-Israeli conflict, the presence of the Palestinian resistance movement or the regional ‘cold war’ that was being fought mainly in Lebanon were all elements that contributed to the fuelling of the civil war. Nevertheless, taking these factors into consideration, the Lebanese system was unable to deal with these regional tensions because of its internal sectarian problems. Politically, the system was historically biased toward the Christian communities, providing them with a disproportionate share of the political power. Such an unequal distribution of power was a recurrent source of contestation for the by-then majority Muslim communities. This internal source of political conflict proved to be a perfect receptacle for the intervention of regional players in the civil war. This unequal distribution of political power had its counterpart in the social and economic domain. The modern history of Lebanon, at least until the civil war, was characterized by a socio-economic inequality skewed in favor of the Christians, albeit decreasingly so over time. On most of the socio-economic indicators, the Christian communities fared much better than their Muslim counterparts. From education to occupation and income indicators, the sectarian ranking was the same: Non-Catholic Christians, Catholic Christians, followed by the Druzes, the Sunnis and at the bottom of the ranking, the Shiites. For instance, whereas the average family income for the Christian sects was approximately 7,100 Lebanese Liras (LL) in 1971, it stood at 5,400 LL for the Muslim sects (Chamie, 1980). The economic and social power of the Christian sects was similarly illustrated in their superior representation in the main economic professions: Christians represented in 1981 around 71 percent of bankers, 73 percent of insurers and insurance brokers, 71 percent of lawyers and 68 percent of medical doctors (Labaki, 1988). The emergence of radical parties in the 1960s capitalized on a pool of disenfranchised populations, with powerlessness being much readily radicalized in political discourse when articulated with sectarian identities.

The articulation of socio-economic inequality with sectarian affiliation was considered one of the main causes behind the civil war and the breakup of the social contract. Inequality can act as a driver for group mobilization that increases the chances of violence, more so when sectarian divisions are entrenched. This ‘grievance’ hypothesis might have played a role in igniting the civil war, but ‘greed’ factors helped perpetuate it, taking the form of militias, smuggling, illegal activities, etc. But even though one should take into account these socio-economic factors in explaining the war and the possible

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relapse into conflict, as Cramer has noted, there is no simple straightforward empirical link between inequality and war (2003). It is self-evident that socio-economic considerations played a role in the decision-making process of individuals or groups about entering armed conflicts. Nevertheless, it is unclear through which process these macro-descriptions of inequality translated into the individual decision of entering or exiting a war. Moreover, the development of the civil war into an intra-sectarian war that did not correspond to the socio-economic fault lines could not be explained through such an argument; inequality was often measured across sectarian groups, but during the 1980s, the civil war gradually turned into a conflict among sectarian groups rather than between sectarian groups, in other words, among groups that belonged to the same socio-economic category. It is an accepted fact that high levels of poverty and inequality are more conducive to conflict than a just and prosperous society. This is more so when poverty and inequality are mapped onto ethnic, sectarian or religious cleavages. Yet, the Lebanese civil war does not support more precise extrapolations regarding this relation.

C. Pre-‘Ta’if Republic’ Socio-Economic and Political Situations

The Ta’if agreement came after fifteen years of civil war, and more than four decades of social changes. The trend toward socio-economic equalization started with Muslims becoming a demographic majority prior to the war. More importantly, the period ranging from independence to the Ta’if agreement saw the economic and social rise of the Muslim communities, challenging the Christian prominence that marked the first decades of Lebanon’s existence. This sectarian balancing of social and economic power had a number of causes. Domestically, the successive policies of ‘balanced development’, especially during president Shehab’s mandate (1958-1964), improved Muslim access to public sector employment and education. Moreover, the changes in the regional economies, with the rise of the Gulf area as a main economic player propped up the role of the Sunni community. Similarly, immigration to the African continent provided a source of capital accumulation to the Shiite community. The civil war was another source of social changes, providing an added impetus toward this sectarian balancing, through the development of alternative urban centers after the division of Beirut and the proliferation of illegal activities connected to the various militias.

These social, political and economic changes affected the composition of the ruling elites, further fragmenting them. The emergence of new sources of social power and the diffusion of power among a larger number of elites created alternative sources of elite power with wider, sometimes contradictory, interests and constraints. According to Leenders, four main groups provided the bulk of the political representatives during the post-war period: Syrian clients, ex-militia, business interests and the traditional notables, or Zu’ama.6 The political elite often clashed based on shifting clientelist alliances among members of each groups. But their disparate political and social basis made their diverging interests a deeper source of conflict that could not always be accommodated through the usual negotiations and compromises.

The lessons drawn from the civil war by the political elites and the social changes that affected Lebanon in the second half of the 20th-century pushed toward the same conclusion: the Lebanese system needed to be more inclusive of the new social groups and their changed power. The pre-war centralization of power at the apex of the Lebanese state was seen as a cover for Maronite domination, and was to be replaced by a

6 For more details, see Leenders (2007).
more dispersed system of decision-making. The Lebanese laissez-faire attitude to socio-economic questions was deemed insufficient to equalize the socio-economic characteristics of sects, and an awkward system of redistribution would take its place. Lastly, Lebanon’s flirtation with a neutral stance regarding the Arab-Israeli conflict and the various regional powers would vanish under Syria’s yoke, the main guarantor of the Ta’if agreement. The new understanding of power-sharing governance following the war would reflect these transformations, requiring the state to be more inclusive to the various social groups, more intervening in the underlying society, and more dependent on its Syrian guarantor.

3. The ‘Ta’if Republic’

A. The Ta’if Agreement

The fragmentation of the polity and the demands for broader distribution of power were embodied in the text of the Ta’if agreement in the form of a ‘spreading’ of political power and institutional prerogatives. At the executive level, power was shifted from the Maronite President of the Republic to the Sunni Prime Minister and the Council of Ministers, transformed into a collegial body exercising power through consensus. In addition, the legislative branch was strengthened, shielded from any real threat of dissolution by the executive branch. A system of veto and checks and balances was introduced between the three main leaderships, leading to the necessity of including all the main players in the decision-making process. These institutional changes reflected the ‘lessons’ drawn from the civil war and the inadequacies of the previous versions of the power-sharing agreement. To mitigate the possibility of a domination of the state by one sect, the decision-making process was spread out among the three presidencies, linked to each others through a web of checks and balances that would make inclusion of most of the political players necessary. And to represent more accurately the changing political power of sects, the Maronite presidency was weakened, the Sunni premiership and Shiite speaker of the house of parliament strengthened.

The ‘Ta’if Republic’, understood as the codified rules for the division of power, the customs and practices regulating the distribution of power and the various mechanisms devised to implement and bypass this distribution, provided the rules of the game for the post-war period. Reacting against the possibility of subverting the power-sharing agreement through the domination of one sect, it led to another form of subversion, one characterized by the transformation of the already weak Lebanese state into a ‘conditional’ and a ‘dislocated’ state. The requirements of the Ta’if agreement conditioned the state on the goodwill of the underlying social forces, thus institutionalizing the ‘Migdalian’ conditions of a weak state (Migdal, 2001, 2008). While all states are conditional on the periodic approval of some of the underlying social forces, the post-war period instituted a system whereby the state became dependent on the constant approval of the main social forces, removing any limited autonomy the state might have regarding the underlying balance of power. The strategy devised to deal with this ‘conditionality’ transformed the Lebanese state into a ‘dislocated’ state. The paralysis of the state led to mechanisms bypassing state institutions, in effect dis-locating the state, i.e. removing it from its central position, by locating the real locus of power outside

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7 For an overview of the constitutional changes of the Ta’if agreement, see Sleiman (1994).
8 For instance, the procedure for the transfer of laws between the council of ministers and parliament allows the speaker of parliament to delay indefinitely the draft laws proposed by the executive branch, providing him with a stronger bargaining power.
of state institutions. Both the representation of sects and the bypassing of this condition ended up contributing to the same process of fragmentation of the state.

The ‘conditionality’ requirement of the ‘Ta’if Republic’ spread political power as thinly as possible among the various political groups, and allocated in an informal manner state institutions to sects. Thus, the Council for Development and Reconstruction (CDR) was reactivated and placed under the aegis of the late prime minister Rafik Hariri, the highest ‘Sunni representative’ in the state. Public investment in the South was channeled through the Council of the South (CS), which came under the control of the speaker of the house of parliament, the Shiite leader Nabih Berri. The Ministry and Central Fund for the Displaced (CFD) were established to ensure the return of the displaced and were awarded to the main Druze leader Walid Jumblat. Other executive cabinets were also pieced out to smaller factions. Each institution enjoyed relative autonomy afforded by its political protection in the consensus prerogative that dominated the overarching political game. This sectarian piecing out of executive powers, often with overlapping mandates, led to a fragmentation of the state into separate entities dominated by political players, duplication of some of the work involved and deadlocks when interests clashed. Thus conflict between the political actors devolved into conflict between institutions, and political alliances came to mean institutional ententes. Institutional feuding became the norm, as institutional checks and balances gave way to concerns of consociational imperatives for the sake of stability.

The consequence of such ‘conditionality’ of state institutions was the stiff rigidity of the post-war Lebanese state, transforming the smallest decision into an inter-sectarian bargaining game, and undermining the unity, coherence and legitimacy of the state. The ‘Ta’if Republic’ devised new, or updated old, political and institutional mechanisms for resolving the tensions of sectarian representation and institutional efficiency. In order to fill the gaps resulting from the agreement, to implement part of it and to bypass momentarily the requirements of sectarian representation, extra-institutional fixes were introduced and quickly became part and parcel of the domestic political structure. These fixes were characterized by their lack of codification, often bypassing the state altogether, attesting to the institutional multiplicity running deep into the constitutive matrix of state institutions. This lack of codification, impossible in some cases or left out purposely in others, resulted in agreements of a short-term and uncertain nature. Dependent on a changing underlying balance of power between the main political players, these mechanisms were a snapshot image of the current state of relations between the various elites. This uncertain and changing environment instituted bargaining and negotiations as the modus operandi of the Lebanese system. In the context of a weak state and of a precarious political settlement, negotiations emerged as one way of managing the political tensions and controlling the various players. But such mechanisms, even though necessary to deal with the institutional rigidities of the sectarian ‘conditionality’, were providing only short-term relief for the Lebanese state, undermining in the long-term its coherence and strength.

In such an institutional framework, most political mechanisms and boundaries were subverted to cater for one of these two goals. For instance, the council of ministers was transformed from a collective decision-making body into an arena for sectarian bargaining, with ministers acting as the guardians of their particular communities (Salam, 2003). Conflicts between various sections of the ruling elites and their accommodation became the bread and butter of the system. From the distribution of public employment to urban planning changes, each attempt at changing the underlying
property rights structure was an occasion for a political conflict that could last from a couple of days to a year. The boundary between public and private, already blurred in Lebanon, lost any relevance in the post-war period, crossed in both ways by most political players. Sectarianism provides a convenient path to cross this boundary, but mechanisms set-up to deal with the sectarian ‘conditionality’ similarly violated this distinction. For instance, Hariri’s strategy for ‘shielding’ institutions involved placing his allies in top state institutions, Hariri managed to protect these institutions through extra-institutional negotiations and kickbacks, often resulting in corruption. Turning a blind eye on the spending patterns of one institution, or awarding contracts to friendly politicians were sometimes the only ways to shield Hariri’s ‘own’ institutions from outside political interferences.

B. Syria

The fifteen-year civil war ended shortly after a deal was brokered between the main contending parties in the Saudi city of Ta’if in 1989, godfathered by Syria, the US and the Kingdom of Saudi Arabia. Syria emerged as the main powerbroker in Lebanon and the enforcer of peace in the fragmented society that emerged after the civil war. The difficult application of the Ta’if agreement and the various zones of uncertainties in this agreement, in addition to the underlying political conflict, required an enforcer, a role Syria was more than willing to fulfill. But Syrian intervention developed in the 1990s to encompass almost every decision taken by the Lebanese state, further ‘dislocating’ it. From a temporary enforcer of a regional consensus, Syria’s role extended to become the sole player in Lebanon. The pull effect created by the inconsistencies of the post-war agreement and the sectarian and political division was not the sole impetus behind Syrian intervention; a push effect was also at play, creating the conditions for Syrian intervention. By reproducing and increasing the arbitrariness and uncertainty of the system, Syria increased the dependence of the Lebanese political players on its goodwill. Moreover, by blocking and repressing any attempts at Lebanese rapprochement, Syria reproduced the state of fragmentation and blocked the possibility of the emergence of a domestic consensus that could have reduced the dependence of the Lebanese system on an external enforcer.

This is illustrated by the gerrymandering of electoral laws and by the continuous interventions of Syrian officials in the workings of Lebanese institutions. Post-war elections, for instance, lost their significance as a process of aggregation and selection of political preferences and were transformed it into an inter-elite rivalry for Syrian favors. The political meddling by the Syrian intelligence in their functioning removed any pretence that these elections were free or fair, transforming them into a “social event devoid of political substance” (El-Khazen, 2003). As such, the enforcer reproduced the conditions justifying the need for it, blocking the possibility of a sustainable peace that would render its presence unnecessary. Such interventions had their financial and economic counterparts in the form of the corruption that developed around the Syrian sources of political power. Corruption flourished in post-war Lebanon, with a detrimental effect on the state budget and the business environment. It is very hard to

\footnote{For a selected review of the main political crises during this post-civil war period, see Debié and Pieter (2003).}

\footnote{As a sign of the political insignificance of these elections, boycotts and low participation rates marked the various elections that took place during the post-war period. Whereas the elections in 1968 and 1972 had a voter turnout of more that 50 percent, the elections in 1992 barely reach a 30 percent voter turnout rising to almost 40 percent in 2000 (p.64).}
quantify the extent of corruption and of its costs, but most economists agree that corruption increased drastically in the post-war period. This corruption was supervised by the highest political authority in Lebanon, i.e. Syria, whether to benefit Syrian politicians or their Lebanese clients. As Faddoul points out, major cases of corruption involved Syrian officials or Lebanese officials ‘protected’ by Syria: international communications, oil traffic, ‘free zones’ in the airport and international harbors, etc.\footnote{11} As such, the role of Syria in the post-war period in enforcing the precarious peace that dominated the 1990s was at best ambiguous, enforcing some stability while reproducing the underlying conditions of instability and conflict.

Political legitimacy, which in Lebanon takes the form of sectarian legitimacy, and institutional efficiency clashed in post-war Lebanon. But the mechanisms deployed to ensure them led to the same conclusion, the fragmentation of the already weak Lebanese state. Conditioning state institutions on sectarian approval or by-passing state institutions for short-term institutional efficiency removed any pretence that the Lebanese state might be the central locus of power and fragmented whatever consistency might have survived from the civil war. The only constant in the post-war period has been this process of weakening of the central state, with disastrous political consequences illustrated by the threat of a constant relapse into a civil war, and the failure of effective decentralization, and the absence of efficient service delivery, to which we now turn.

4. Service delivery and decentralization

A. State building, institutional consolidation and decentralization

The imperative of peace-building was resolved in the post-war period through a sacrifice of the goal of institution and state building. Redistribution was closely linked to rampant corruption on the one hand, and the collapse of public offices into the private individuals that held them on the other. Similarly, the need for political flexibility to deal with the changing political environment was often secured through ad-hoc measures that contradicted the goal of the creation and consolidation of institutions.

The debate on administrative decentralization has always been very thorny in Lebanon, due to the fact that it has been perceived by many as a step toward federalism along sectarian lines. As such, political parties, often Christian, that have been ideologically prone toward political decentralization have called for administrative decentralization as a first step, or to avoid the political stigmas associated with the notion of federalism in a country that is sensitive about its existence as a unified entity. The terms of the debate regarding decentralization have been framed in terms of the tension between the efficiency and responsiveness of decentralized administration and the danger of political fragmentation.

The principal official step taken towards decentralization was the municipal election held in 1998 for the first time in 35 years. However, this vertical transfer of power was anaemic from the get go: limited municipal revenues meant political weakness and only perfunctory administrative power, and the absence of a sustained grassroots demand for participation and local governance meant the central powers would not be seriously challenged. In the absence of grassroots movements pushing

\footnote{11}{For examples of the main cases of corruption, see Faddoul (2004).}
toward decentralization, municipalities have been transformed into the apparatus of the local power-broker, dependent on the goodwill of the politicians in the capital to ensure even minimal funding. Similarly, the policies of weakening trade unions and excluding them from the social dialogue has meant that whatever economic policies to be are adopted without the participation of trade unions and civil society.

However, at the same time, a different, more perverse, form of decentralization, more akin to fragmentation, did take place. Horizontal decentralization came as a result of the tensions between representation and efficiency, and sought to shield institutions from the general dynamic of contestation and bargaining. This strategy was consistent with the post-war political settlement, and Hariri’s implied role in it. The tactic resulted in some efficiency gains, however, in the long run it contributed to the general fragmentation of the state, creating institutions that became dependent on the general pattern of political conflicts, clientelist networks and ‘parallel administrations’.12

Hariri’s strategy of ‘shielding’ institutions took various forms from privatization to political control. Most of these mechanisms violated the good governance agenda, often deploying corruption or illegal means to secure the political pre-conditions of efficiency. One of these mechanisms was the placement of allies in key positions of strategic institutions, often receiving salaries from Hariri himself.13 This resulted in various combinations of Hariri’s apparatuses sometimes superimposed on the state, sometimes replacing it.14

B. Service delivery

This blurring of the public-private divide is a focal characteristic of service delivery in Lebanon. The vibrancy of the private sector and the historically minimal state have meant that service delivery has been as much a private sector prerogative as it has been a public sector one. The institutionalization of the imperative of sectarian representation in the post-war period, without any attempt at regulating it, led to a multiplicity of logics within state institutions. This multiplicity was partly rooted in the

12 A similar strategy has been used in Brazil, according to Evans: “Unable to transform the bureaucracy as a whole, political leaders tried to create “pockets of efficiency” within the bureaucracy … thus modernizing the state apparatus by addition rather than transformation” (1995, 61). Even though these ‘pockets of efficiency’ were more ‘developmental’ than the rest of the administration, this strategy had a number of disadvantages. First, these pockets were dependent on the personal protection of political leaders to resist the encroachment of the rest of the administration. Second, this approach made strategic selectivity harder, leading to an uncoordinated expansion of the administration and to weakening of the organizational coherence of the state apparatus, leading to the emergence of “an ever more baroque structure.” Lastly, the careers of the bureaucrats were not geared toward long-term gains, instead being dependent on the changing political environment (1995, 62-3).

13 Riad Salameh, Hariri’s account manager at Merrill Lynch was appointed governor of the Central Bank; Fuad Siniora, CFO of Hariri’s enterprises, was selected as minister of finance; Suhail Yamut, former director of Hariri’s business interests in Brazil, was named governor of Beirut; the presidency of the CDR was given first to El Fadl Chalaq, former chairman of Hariri’s company OGER in Lebanon and board-member of Hariri’s private charity, then to Nabil el-Jisr, former president of OGER in Paris. For a full list of Hariri’s allies, see Iskandar (2006, 74-79).

14 This mechanism was extended legally through the increased use of United Nations and World Bank consultants to assist the administration in capacity-building, practically creating a parallel administration (Nahas, 2006, 107-8). Prevalent mostly in the institutions dependent on the Prime Minister and in strategic institutions, such as the VAT directorate and the Ministry of Finance, this practice aimed at providing ‘private-public’ servants who would be shielded from the political bickering.
texts of the Ta’if agreement and the Lebanese constitution. In the presence of a weak state unable to regulate multiple institutional logics, this imperative was quickly subverted into a means for clientelist redistribution and institutional capture.

Conflicts between political leaders were quickly translated into institutional conflicts, whereas political rapprochement translated into institutional alliances. This institutional infighting became the norm in the relationships between institutions. It was the triangle of the Hariri controlled Ministry of Finance (MOF), the Berri dominated Council of the South (CS) and Jumblat led Central Fund for the Displaced (CFD) that witnessed the heaviest fighting. After allegations of corruption and mismanagement, Jumblat and Berri counter-attacked by asking for the abolition of the Council for Development and Reconstruction and OGERO, Hariri’s ‘own’ institutions (an-Nahar newspaper, 17th October 1996). In 1998, a new crisis emerged between Hariri and Jumblat on the payment to the CFD (an-Nahar newspaper, 26th June 1998). At the end of 2001, the CS to came under attack from the government. A campaign by the allies of Berri started in 2001 and ended in 2002, with the defeat of the government (an-Nahar newspaper 26-10-01 to 25-02-02). The CS remained but with limited funds, thus a new crisis between the CS and the MOF emerged (an-Nahar newspaper 1st May 2002, an-Nahar newspaper, 2nd May 2002). The funding from the MOF was stopped due to the political conflict between Berri and Hariri. In 2006, the PM tried again to abolish the CS (an-Nahar newspaper 18th September 2006). The CS responded to its detractors by linking its presence to the end of the Israeli occupation. The head of the CS accused the US ambassador of instigating the campaign to close it (An-Nahar newspaper 11th August 2005). Similarly, the CDR’s protection by Hariri was not left unchallenged. During the post-war period, and especially after the fiscal crisis became a recognized reality, the drive toward reducing state expenditures added to the existing tensions between institutions.

The competition and infighting between institutions greatly reduced the coherence of the state and weakened its unity. The Ta’if agreement, which aimed at absorbing the fragmentation of the polity, was submerged by it, with the post-war weak state drifting further away from the image of the ‘coherent, integrated, and goal-oriented body’. As such, service delivery by the state has suffered from political appropriation which led to its duplication and loss of efficiency. Even though the quantity of these services was not necessarily affected by this institutional make-up, their efficiency and capacity to reach the needy were greatly diminished, leading to a system that was financially untenable and socio-economically sterile.

4. Macroeconomic Policy

A. Historical overview

Lebanon has always had a liberal economic system, whose cornerstone is a vigorous private sector. Unlike most neighboring countries, laissez-faire in Lebanon was never seriously contested and the state remained minimal, as the country benefited in the 50’s, 60’s and early 70’s from the inflow of capital in the form of oil rents from the economies of the Persian Gulf, and capital fleeing state-control in neighboring economies, as well as remittances from the Lebanese Diaspora. Banking, trade, and tourism flourished. The liberal market economy was made possible by the existence of a traditionally influential business class, with close ties to the political elite that provided
the economic policies as well as the conservative fiscal and monetary policies that fostered a laissez-faire environment that in turn, benefited the business class.

The civil war between 1975 and 1990 resulted in the destruction of much of the country’s physical and human capital. The physical damage from the war was estimated at around $25 billion. Estimates of the human losses range from 90,000 to 170,000 (3 to 5% of the population), with another 300,000 injured, 800,000 displaced (one in every four Lebanese), and 550,000 to 880,000 migrants, as the country came to rely more and more on remittances (World Bank, 1995). The destruction did not spare basic infrastructure: one third of phone lines and one third of power capacity were out of commission, 80% of water supply polluted and water treatment facilities seriously damaged (World Bank, 1995). The private sector came to gradually substitute public institutions, as the scope and capacity of government disappeared.

B. Post-war fiscal and monetary policies

The government’s post war economic strategy effectively centered around two policies: an ambitious public spending program and a stable exchange rate. On the first of these objectives, not only did the government’s fiscal choices prove heavily costly, as the economy was trapped in a deficit spiral, they also tied the government’s monetary hands, and threatened to undermine its ability to maintain its exchange rate objective.

Fiscal policy: from reconstruction to debt management

The hallmark of the post-war fiscal profile of Lebanon is one of sharply rising public debt in both absolute and relative terms. In 1992, the government embarked on a plan of reconstruction, with a sectoral and regional expenditure program of over $14 billion over the ten-year period between 1993 and 2002 that was intended to double per capita GDP. However, the plan was quickly abandoned because of its overly ambitious goals and unrealistic predictions.

Because one of the platforms of the Hariri government of the early 1990’s that brought him into power at a time of financial crisis was his anti-inflationary policy of pegging the currency, the government refrained from engaging in inflationary finance. When the aid projected in the Ta’if accords failed to materialize (Gressani and Page, 1999), the deficits were financed by government borrowing from the domestic banking industry, which enjoyed tremendously high interest rates on treasury bills. It is estimated that by the end of 1997, foreign financing of the reconstruction plan amounted to $4 billion, of which only half a billion constituted grants, and the remainder were soft and commercial loans (Wetter, 1999).

The years to follow would see a significant reduction in the share of foreign grants and loans in reconstruction expenditures. The cumulated deficits gave rise to a growing public debt that climbed from 48% of GDP in 1992 to 178% of GDP in 2005 (MMK, 2008). Soon, a growing share of public expenditures would go to service the debt as the share spent on human and physical capital shrank; meanwhile private investment was crowded out by prohibitive interest rates. Starting in 1998, the government sought to finance its deficit from external markets, as reflected in Table 1 in the secular increase in public debt denominated in foreign currency starting in 1998. The share of aid in public expenditures stabilized at around 3-4 percent between 2000 and 2004 (World Development Indicators). In 2006, the servicing requirement stood at almost 30 per cent
of total government revenue, the highest in the world on a per capita basis (Harvie and Saleh, 2007).

Table 1: Fiscal profile 1992-2002 (in % of GDP)

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<tbody>
<tr>
<td>Fiscal overall balance</td>
<td>-11</td>
<td>-16</td>
<td>-20</td>
<td>-18</td>
<td>-23</td>
<td>-16</td>
</tr>
<tr>
<td>Expenditures</td>
<td>23</td>
<td>34</td>
<td>37</td>
<td>36</td>
<td>42</td>
<td>39</td>
</tr>
<tr>
<td>o/w interest</td>
<td>5</td>
<td>9</td>
<td>12</td>
<td>13</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Investment</td>
<td>2</td>
<td>9</td>
<td>9</td>
<td>8</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Public debt</td>
<td>41</td>
<td>51</td>
<td>77</td>
<td>101</td>
<td>135</td>
<td>161</td>
</tr>
<tr>
<td>o/w in foreign currency</td>
<td>4</td>
<td>8</td>
<td>14</td>
<td>24</td>
<td>40</td>
<td>80</td>
</tr>
</tbody>
</table>

Source: Gaspard (2004b).

While the expenditure side of the deficit saw large and growing government outlays, the government’s budget also came under pressure from the revenue side: Lebanon entered several trade agreements that would greatly reduce tariffs. The IMF estimates that in 2001, close to 72% of total government revenues come from taxes. Of these, import duties constitute the largest share (Table 2). The pressure to liberalize trade meant a significant reduction in government tax revenue, as import duties constituted 37 percent of government revenues in 2001 (LEA, 2008).

Table 2: Revenue structure (in % of GDP)

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</thead>
<tbody>
<tr>
<td>Tax revenue</td>
<td>11.18</td>
<td>12.08</td>
<td>13.06</td>
<td>11.67</td>
<td>11.51</td>
<td>14.16</td>
<td>15.08</td>
<td>16.05</td>
</tr>
<tr>
<td>Taxes on income, profits, capital gains</td>
<td>1.41</td>
<td>1.57</td>
<td>1.95</td>
<td>1.98</td>
<td>2.43</td>
<td>2.58</td>
<td>2.62</td>
<td>2.82</td>
</tr>
<tr>
<td>Taxes on property and capital</td>
<td>1.49</td>
<td>1.40</td>
<td>1.71</td>
<td>1.09</td>
<td>1.06</td>
<td>1.06</td>
<td>1.08</td>
<td>1.26</td>
</tr>
<tr>
<td>Taxes on goods and services</td>
<td>0.95</td>
<td>1.41</td>
<td>3.77</td>
<td>3.59</td>
<td>3.94</td>
<td>7.74</td>
<td>9.06</td>
<td>9.49</td>
</tr>
<tr>
<td>Import duties</td>
<td>6.50</td>
<td>6.90</td>
<td>4.80</td>
<td>4.24</td>
<td>3.33</td>
<td>2.11</td>
<td>1.59</td>
<td>1.64</td>
</tr>
</tbody>
</table>


Monetary policy: currency stabilization amidst deep dollarization

Monetary policy centered on the stabilization of the nominal exchange rate. Thus, the ethos of the central bank’s policy, as expressed by Nasser Saidi, vice-governor during much of the post-war period, was that “monetary policy should aim to control inflation through control of money growth. The Central Bank should not become a reconstruction or development bank” (Saidi, 1999).

Currency stabilization required abundant foreign reserves for what at times was sustained intervention in the foreign exchange market by the Central Bank. The high real interest rates on treasury bills—where the cumulative premium of Lebanese treasury bills over foreign denominated Eurobonds reached 54 percent—not only accommodated budget deficits, they also protected the Lebanese pound. However, the combination of a growing public debt and high real interest rates resulted in economic slowdown and sluggish growth. The Central Bank’s ability to prop up the Lebanese pound came under
serious threat when in addition to economic stagnation, the country suffered political and security shocks in the late 1990’s and the early 2000’s.

Monetary policy too turned toward foreign donors and depositors, who supplemented the Central Bank’s reserves and effectiveness by restoring confidence in the currency and averting the danger of a currency crisis. The international donor conferences convened by the Lebanese government starting in 1998 saw increased *domestic* support for the financial stabilization plan as well: internal financial players, like the Central Bank and Lebanese commercial banks, offered concessionary loans to finance the public debt (Dibeh, 2007).

The congruence of interests between three sets of players, namely the state, the central bank and the commercial banking sector, is thought to be responsible for the remarkable success of the currency stabilization policy despite conditions of extreme economic and political adversity at times. The IMF itself concluded in 2004 that “Lebanon has defied pessimistic predictions, including those of the Fund, and a debt crisis has been avoided. While investor confidence plays a role in any emerging market economy, in Lebanon it has become the linchpin of a unique symbiosis between the public-sector and the banking sector balance sheets and how the authorities used this to overcome the near roll-over crisis of 2001-2002” (IMF, 2004). Credibility was key in the success of monetary policy: not only was credibility crucial for the central bank’s intervention to be effective at all, at any point in time, these interventions were also made less costly on the central bank the more confidence in them the economy had. The perceived independence of the central bank, its perceived distance from the political pie slicing exercises that plagued executive government, and its steadfastness in preserving the value of the local currency played a central role in curbing inflation and in limiting capital flight even during political and security crises.

C. Macroeconomic policy within the powersharing rules

The fiscal, monetary and exchange rate policy packages adopted by the successive post-war governments were shaped by the power-sharing agreement that brought an end to the conflict. At the same time, they also contributed to stability, peace and the consolidation of the power-sharing rules after the war in the short run, but at the expense of sustainable long term development.

How did the macroeconomic decisions of the government contribute to the credibility of peace? First, fiscal policy was not chosen according to first-best policy options, so optimality from a perspective of sound policy and good practice was compromised. The precariousness of peace and the imperative to uphold the power-sharing agreement dictated such a departure from optimality. Rather fiscal policy followed, at least on the spending side, a distribution rule that preserved sectarian stability and peace at the macro level by allocating funds according to the confessional composition of the overall population (Salti and Chaaban, 2009). The ethos of spending rules mirrored closely the culture of the Ta’if agreement which sought to redress weights in the power-sharing scale, thereby entrenching consociational balance as the only way forward in matters of governance and public choice. Within the set of fiscal outcomes which satisfy the constraint of sectarian balance, which were the policy packages that ended up being chosen? The particular fiscal choices made reflected the hallmarks of the post-war era: rampant corruption on the one hand, and the collapse of public offices and institutions into the private individuals that held them on the other.
We identify three broad implications of the subordination of fiscal decisions to the political power-sharing game within the context of a fragile post-conflict agreement. The first is that fiscal policy has not been economically sound as it has subscribed to power-sharing constraints that generally rule out first-best policy options. The second is that the primacy of political power-sharing in fiscal decisions has made it especially vulnerable to corruption and clientelism; fiscal decisions have often devolved into a tool to slice the pie amongst political stakeholders. The third is that the fiscal game has thereby fortuitously contributed to solidifying the power-sharing agreement and to maintaining a peaceful equilibrium, if at the cost of further entrenching a political culture of corruption and clientelism.

On the other hand, Lebanon’s post-war experience holds a somewhat uncontroversial answer to the question “What should the priorities of monetary policy be in support of conflict resolution and peace?” The monetary policy that most contributed to maintaining peace (but also to making private gains from public choice possible for key stakeholders) was the priority of exchange rate stabilization. In many ways, the monetary game was immune to the customary political feuding of public decisions in Lebanon, which feuding was relegated to the next stage of the game: divvying up the funds procured through the treasury bills market.

One of the pitfalls of the mix of fiscal and monetary policy is that even though they provided a mechanism to translate Ta’if socially (fiscal) while ensuring a certain financial stability (monetary), the mix was not able to generate sustainable economic growth that could translate in increased standards of living and employment. Deviations from the optimum policy path have been tolerated, as they have often been imposed by the requirements of social peace and expediency, but policy choices also need to contain a long-term dimension. A balanced growth path would not only contribute to solidifying the peace, it would also free the state from the clientelistic web of resource redistribution.

D. Economic policy, service delivery and decentralization

Assessing the effectiveness of fiscal spending, we find that cost recovery remains very poor. The $8.5 billion incurred in expenditures in the first decade after the war was not sufficient for the completion of the projects undertaken. A substantial share (close to a quarter) of government investments were disbursed in electric utilities and telecommunications, while these sectors’ performance remains largely inadequate (World Bank, 2005). Similarly the funds poured into projects to reconstruct and rehabilitate the major road networks suffer from poor follow up and practically no maintenance.

Service delivery suffered from the corruption and requirements of power-sharing. The public investment program was one domain where this tension clearly expressed itself. The imperative of redistribution, codified in ‘Article G’ of the Lebanese constitution, was reflected in the spending allocation of the initial reconstruction plan.¹⁵ The double aims of public spending, namely the sectarian imperative of equitable distribution and the socio-economic need for efficiency, led to a high level of waste.

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political bickering, duplication and lack of coordination among state institutions. Left to practice, the first imperative often prevailed; according to the latest CDR report, the duplication of equipment between regions is one of the most costly illustrations of this understanding of the notion of balanced development. Similarly, Salti and Chaaban’s research illustrates the dependence of public social spending on sectarian requirements, with the satisfaction of this imperative impacting heavily on the efficiency of social spending (2009). The public investment program was grounded in a matrix of institutions, which suffered similarly from the inefficiency related to the satisfaction of the sectarian criterion.

6. General Conclusions

Lebanon provides a good illustration of the pitfalls and dilemmas associated with power-sharing agreements, having always been governed by variations of this system of rule. The litmus test of a power-sharing agreement is whether it provides the basis for an enduring peace. Clearly, the civil war signaled the failure, albeit partial, of the pre-war power-sharing agreement to contain the rising tensions and avoid a descent into civil strife. Three lessons were deduced from this experience, which established the basis of the ‘Ta’if Republic’. Regarding the political system, the centralization of power in the hands of the Maronite presidency was deemed to be one of the causes of the civil war, subverting the principle of sectarian co-existence through a Maronite domination of the political system. The reforms of the power-sharing agreement in the post-war period remedy this ‘defect’ of the system through a wider inclusion of sectarian groups and a spreading of political power among the three main presidencies. The second lesson relates to the foreign policy of Lebanon and the role of regional powers in maintaining peace and stability. An ‘independent’ foreign policy was deemed to be a luxury that Lebanon could not afford, especially with respect to its regional neighbors. Post-war Lebanon became entirely dependent for its peace and stability on the goodwill of its neighbors and the regional consensus concerning it. Lastly, the nonchalant laissez-faire ethos of the pre-war period was deemed to be unviable in a societies divided according along sectarian lines. In the absence of a well-developed administration, catering for these socio-economic inequalities will take the form of corruption, lax fiscal policies, and institutional fragmentation.

A. Power-sharing agreement

The post-war Lebanese power-sharing agreement responded to the ‘defect’ of centralization with the ‘defect’ of fragmentation. Through its continuous dependence on sectarian representation, the ‘Ta’if Republic’ reproduced the initial conditions of fragmentation by institutionalizing sectarianism, and in some cases, solidifying it. This dependence on the goodwill of the various representatives of sectarian groups introduced a degree of rigidity in the official decision-making process, which was in

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16 The scattering of expenditure on education among different institutions, such as the Ministry of Education, the CS and the CDR illustrates the waste that results from the lack of coordination and duplication among state institutions. For instance, these three institutions have spent on education in South Lebanon, leading to a large number of schools being under-utilized. The lack of coordination among them was due to the political differences between these three institutions. See An-Nahar newspaper, 8th December 2004.

17 See Le Commerce du Levant (December 2006, p. 22) for an overview of the report. Similarly, a review of the CS public investment concluded that out of the 366 schools built in the south, 78 should be abolished, attracting less than 100 students. Nevertheless, the CS continued building schools, following the notion of balanced development. See An-Nahar newspaper, 8th December 2004.
practice bypassed through various means such as short-term agreements and bargaining, ad-hoc decisions and extra-institutional mechanisms. This combination of an official ‘rigidity’ with an unofficial ‘flexibility’ provided the system with a wider margin for accommodating conflicts and dealing with regional changes, yet at the cost of further de-institutionalizing the state and fragmenting it. By keeping conflicts at a low-intensity level, the Ta’if institutional framework managed to keep the centrifugal tendencies of the Lebanese polity checked but without reversing this tendency or establishing the procedures to transcend it.

One of the lessons of the Lebanese experience relates to the necessity for power-sharing agreements to contain mechanisms to transcend their initial conditions of fragmentation rather than simply mitigating them or representing such societal fragmentation. In this respect, the Ta’if agreement contained various mechanisms to initiate such a process. For instance, the agreement called for the establishment of a committee to abolish sectarianism, a clause that has yet to be implemented. More importantly, by dividing political power equally between Christians and Muslims, the Ta’if agreement attempted to dissociate the question of demographic weight from the issue of political representation. Such a clause might have been the first step toward the de-politicization of demographic questions. But it was not able to resist the pressures of a re-invigorated sectarianism, with more and more voices asking for the replacement of the 50-50 division of power with a tripartite division between Christians, Sunnites and Shiites, in practice re-inscribing political meaning into demographic weight.

Another lesson of the post-war period was the balance between the rigidity of the system and its flexibility. In a society haunted by mimetic tendencies, any change in the status quo is prone to be interpreted in sectarian terms, thus becoming a source of conflict. The quasi-religious adherence to the status quo emerges as the only viable solution. Yet, to deal with the changing environment, respond to unexpected development and have a modicum of institutional efficiency, flexibility had to be reintroduced in the system. The balance between rigidity and flexibility is a matter of the specificities of each experience, its context and the various developments to which it needs to respond. But as the Lebanese experience illustrates, introducing flexibility in an ad hoc manner will lead to a wide disjunction between the realities of rule and the official codifications leading to a de-legitimization of the latter and a possible descent into a chaotic institutional set-up.

B. The State

Transcending the power-sharing agreement and managing the balance between flexibility and codification require an institution that could act as the agent undertaking these actions or as an arena managing them. The main, if not sole, candidate for this role is the state. Moreover, any power-sharing agreement, even if fully specified in the smallest details, will contain areas of uncertainties, illustrating the often tenuous balance of power sustaining it and the inability to predict all the contingencies that might arise. As such, power-sharing agreements will always require a certain amount of ‘creative application’. In addition, even if these agreements enjoy a high level of legitimacy, a certain deployment of coercion will always be needed to force all players to play by the rules. For both these roles, the state is again the natural candidate. But if there was any constant in the post-war Lebanese experience, it was the collective weakening of the Lebanese state: sectarian representation, institutional efficiency, and Syrian hegemony.
were all fulfilled through the fragmentation, weakening and dislocation of the Lebanese state.

The inability of the state to play these roles was probably the main problem plaguing the ‘Ta’if Republic’. The absence of such a state, and as such of accepted rules of the game, led to the subversion of the Ta’if agreement and its transformation into a cover for sectarian bickering over state resources. The fragile peace instituted by this agreement became a source of blackmail rather than the cornerstone of a sustainable peace. Redistribution quickly turned into uncontrollable fiscal deficits and public debt. The always present and credible possibility of opting out of the agreement meant that the only limit to the blackmail of all political groups was the underlying sectarian balance of power and the deadly consequences of sectarian competition, if taken too far. As such, steps to refine the agreement, such as including mechanisms for transcending its initial conditions or managing the balance of flexibility and codification, are secondary issues compared to the central question of the institution in charge of applying the agreement and reforming it. In the absence of such an institution, even ‘innocent’ political processes such as bargaining and negotiations, present in all political systems, could have a crippling effect on the system. No amount of tinkering with the texts or devising mechanisms could bypass the question of the state.

This ‘de-institutionalization’ did not plague all state institutions alike. For instance, The success of the monetary stabilization plan, at least according to its own goals, holds an institutional lesson that may inform other policies: the institutional autonomy of the central bank and its freedom from the usual corruption and inefficiencies of public institutions, its position in the Lebanese political economy, the consensus around it, are all factors that contributed to the central bank’s survival and to its ability to effect a stabilization plan against all odds. Yet, these factors cannot be replicated in all institutions, since the conditions for an effective monetary institution might differ from the conditions of other institutions. The consensus created around the monetary institution and its perceived equidistance from all political players was the result of the fact that all parties had to lose from a depreciation of the Lebanese currency and a weakening of the financial system, the losers of this ‘conservative’ monetary and financial policy being too weak to question it. The lesson that could be drawn from this case is the need to separate the issue of sectarian representation from the state, or at least to draw boundaries between institutions of representation and institutions of execution. This requires shielding the state, or part of it, from the clamors of sectarian representation, and as such, involving the introduction of alternative sources of legitimacy. A ‘stagist’ approach should be adopted, one that recognizes that the available choices for policymakers are heavily dependent on their context. If a certain amount of deference to sectarian demands might be necessary in the early post-war period, the directionality of the system should be toward the transformation of such a form of legitimacy.

C. Development and Peace-Building

Lebanese history puts into question the simple relation posited between economic variables and the probability of conflict. The economic dimensions of conflict and peace are complex and contingent on political factors. A weak economy or high social inequalities might be breeding grounds for the transformation of political conflict into violent conflict. Nevertheless, the various post-war episodes of relapse into violence were mostly political, having a very tenuous relation to socio-economic factors. In other
words, violence was not triggered by socio-economic concerns, even if the relapse into violence was detrimental economically. But the absence of ‘socio-economic’ violence in the post-war period does not deny the claim that a stable and prosperous economy is a better environment for a sustainable peace. The Lebanese experience highlights the importance of a stable economic and financial environment to reduce the uncertainties that could breed political instability. Moreover, redistribution plays a crucial role in making the power-sharing agreement and subsequent peace credible and sustainable, especially if economic growth does not translate quickly into employment creation and an increase in the standard of living.

Nevertheless, redistribution, especially when it is politically motivated and in the absence of a strong and coherent state, has economic and institutional costs. One of the pitfalls of the mix of fiscal and monetary policies is that even though they provided a mechanism to translate the Ta’if agreement socially, the mix was not able to generate sustainable economic growth that could be translated into increased standards of living and employment. Economic policy should contain a long-term dimension, the socio-economic counterpart of the mechanisms for transcending the initial conditions of the power-sharing agreement, to avoid making redistribution a permanent fixture of the governance structure, with its ensuing economic and fiscal consequences. The second pitfall relates to the institutional framework for undertaking such redistribution. A politically motivated redistribution, in the absence of a strong state, can easily turn into an institutionalized form of corruption. Targeting sectarian inequality has led to a fragmentation of state institutions, paralyzing any sustained social policy and subsuming socio-economic interventions to the shifting needs of sectarian inequalities. The main challenge, one that remains unresolved in Lebanon, is how to make this redistribution, both economically and institutionally viable and sustainable in the medium and long terms.

D. External Enforcer

Lebanon attempted to replace the state with an external enforcer that could fulfill its task and prepare the grounds for its emergence. Yet, this path was not successful, illustrating the ambiguities associated with foreign implementation of post-war agreements. Syria’s role was necessary as an external third-party player that could coerce the various factions into accepting the power-sharing system and the ensuing fragile peace. Yet, its intervention was not without costs, and more importantly, it reproduced the underlying conditions of instability, perpetuating the need for an external enforcer. Moreover, it rendered domestic peace and stability dependent on the regional edifice that was supporting the Ta’if agreement, any change in such a consensus having immediate repercussions on the situation in Lebanon. It is hard to draw any lessons from this experience, especially that all the relevant variables are outside of the scope of policymakers. Obviously, it is better to have benevolent neighbors that are willing to spend time and energy to ensure that their weaker neighbors would not relapse into violence. And of course, it is better to have a regional system that respects the sovereignty and integrity of the various states, limiting its interventions to the official and accepted channels. In the absence of such neighbors and regional system, the stability of the domestic peace will be a by-product of the regional stability. Peace-building suffered when the regional consensus backed Syria in its role as an enforcer as it suffered when the same regional consensus disintegrated.
The difficulties of extrapolating lessons from the Lebanese case stem not only from the fact that it turned out to be a case of relative failure, with a very fragile political stability and an economy plagued by a staggering debt. The difficulty is rooted in the fact that the two main variables in the Lebanese case turned out to be the regional environment and the difficult question of establishing a strong central state with the capacity to mediate between all political groups and enforce rules of the game. Both in the economic and the political domains, a ‘stagist’ strategy was adopted which catered in the first stage to the requirements of sectarian representation and redistribution. The problem was the inability of the Lebanese system to move from this stage of short-term political stabilization to establishing the grounds for long-term peace and sustainable development. The inability to move to this second stage was rooted partly in the ‘excesses’ of the stabilization part, but mostly in the inability to ‘create’ a state and in the missing regional and benevolent enforcer. Maybe the only lesson that one can draw from the Lebanese case is that peace-building is a deeply political question, involving violence, regional diplomacy, wars, winners and losers, and a certain political imagination. As Moore has reminded us about development and institutions-building, these processes are products “manufactured by politicians and state makers. And the production processes are rarely sweet smelling or harmonious, but noisy, nasty and, often cruel” (1993, 17). Maybe the lesson is to learn how to come to grips with these ‘noisy, nasty and often cruel processes’.

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Newspapers

An-Nahar Newspaper

Books and Articles


