

Economic crisis and Grand Corruption in Lebanon: **Lessons from the Beirut Port Explosion**



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EXECUTIVE SUMMARY

On August 4, 2020, a large quantity of ammonium nitrate exploded at the port of Beirut. A deposit of 2,750 tons of ammonium nitrate had been stored in a warehouse without proper security measures for the previous six years.

Adding to a series of major crises that are shaking Lebanese society and its economy, from the banking and financial crisis of September 2019, to massive protest movements and political instability, the destruction of August 4 will leave lasting sequels.

The Beirut Port Blast is a manifestation of the collapse of the Lebanese State. This report sheds the light on the misuse and mismanagement of incoming aid to Lebanon after the Blast and during the crisis; it emphasizes on the fact that Grand corruption manifests itself in the public administration, in public procurement, in the banking sector as well as all recovery efforts in the country. The report aims at linking between the collapsing economic situation endured by the Lebanese economy since 2019 and the consequences of the Beirut Port Blast by conducting an in-depth analysis of Grand corruption in Lebanon.

These crises have the same origin and have multidimensional impacts. Some new actors stemming from the civil society have emerged and played an important role in the Lebanese society through relief efforts. Since the Lebanese government was not only absent, but also inefficient and unwilling in solving the economic crisis coupled with a popular uprising, Civil Society Organizations (CSO) and Community Based Organizations (CBO) had to emerge to fill the gap and replace the State in its functions. However, these organizations have been accused to be plagued with corruption. The role of CSOs and CBOs in the reconstruction efforts and in crisis management is discussed under the angle of possible bad governance and corrupt practices that impacted their mission.

Postwar economic policies played with fire knowing that the international community will fish out the political regime at the end. This is called a moral hazard behavior: the different international conferences to help Lebanon on the way to recovery mainly helped political parties in power used to fund their electoral campaigns, increment their services to their supporters but seldomly to change the pattern of unsound economic behavior, gambling on the generosity of the international community. Current negotiation with IMF and international donors follow the same moral hazard strategy by the Lebanese State apparatus.

In the Postwar period, no significant economic policies were put in place to boost productive sectors of agriculture and industry; the economic choice was to rely more on imports given that foreign countries have a comparative advantage in most productions, which translated into a chronic trade deficit, putting even more pressure on the demand for the USD dollar while maintaining an artificially relatively high value of the Lira against other currencies. A devaluation of the national currency was constantly recommended by the IMF (what is called the Real Effective Exchange rate) in order to reflect the real capacity of the Lebanese economy. The recent devaluation of the Lebanese pound deepened the mistrust of Lebanese in their public monetary institutions and

translated into a chronic mistrust in the Lebanese pound. The BDL is in service of political interests disregarding the impacts on depositors. Commercial banks claim to be victims of a Ponzi scheme engineered by the BDL while it is hard to believe that the BDL is able to collect financial leverage without the consent of the Association of Banks in Lebanon (ABL). The liberalization of the exchange rate has put it in the hands of speculators. Once again, this is a bad governance example. Who are the BDL and ABL accountable for? In a country claiming to enjoy a free-market economy, how has private property been disregarded?

The Postwar economic model was built on the belief that developing the construction and services sector (notably banking and tourism) was enough to attract foreign investments and to serve politicians interests who heavily invested in those sectors. By the end of the 1990's, early signs of recession started to show and pushed international community to advise Lebanon to curb its alarming public finance dynamics, to no avail as long as flows of cash kept coming in to commercial banks and politicians' pockets.

Lebanon is one of the most corrupt countries in the world and it's important to analyze corruption in the country in relation with the nature of the state. It is a broad concept difficult to apprehend.

There is no consensus on the economic role that should be played by the Lebanese State. As per the Lebanese Constitution, Lebanon is a free-market economy where competition is sacred. The State has to intervene the least and keep the private sector take in charge investments by deregulating the market and eliminating all barriers to competition such as monopolistic position, cartels, exclusive agencies. The keyword here is efficiency, which is obviously not at the top of the agenda in public policies in Lebanon.

Furthermore, the political system favors the legislative, executive and economic corruption, putting Lebanon at the heart of regional and international interventions in the country's affairs. On purely economic level, the excessive use of indebtedness by Lebanese government reduces the level of national saving, and deprives the State from financial resources required to invest in economically productive sectors. Moreover, the economic structure based on illegal income weakens the national production and increase the need of certain goods. This weak level in production is explained by the deficit of trade balance, reduced level of fiscal revenues and excessive debt use.

The mismanagement of the crisis in the post Blast period lays many responsibilities on the parties in charge of the relief effort and the management of donations and funds; the failure of government while having a bird's eye view on the corruption, the financial and technical problems and the lack of oversight on CSOs and CBOs, local and international in their management of donations. The main issues in managing the crisis are related to the lack of accountability, lack of control and regulation to fight corruption, and they are a predictable repercussion of the long term bad governance in the Lebanese State

Lebanese governments in the post-War era have triggered many initiatives to implement anti-corruption policies which were unsuccessful obviously. Most of them were met with a strong

resistance to change by the ruling parties which have actively taken part themselves in the Civil War. These policies were either difficult to implement, either not suitable for the specific case of Lebanon since they don't heal the problem by its roots. Albeit the launching of the National Strategy to fight corruption in 2016, it ended up with the appointment of a State Minister for the fight against corruption which disappeared ever since. Not one operational measure has been implemented in order to seriously fight against this phenomenon.

In terms of regulation, the Lebanese Parliament has enacted some laws to fight against corruption: the whistleblower protection law (n. 83, October 10, 2018), a law to enhance transparency in the sectors of Oil and Gaz, the creation of a national commission to fight corruption in the Public Sector (Law n.175, May 8, 2020), the law for lifting bank secrecy for political figures and public servants in cases of corruption suspicion (May 28, 2020). These laws are a good starting point, but they need to be modernized, amended, and made operational by the executive branch and the judiciary (illicit enrichment law, financial disclosure law, the restructuring of the court of accounts and audit and central inspection commission, public procurement law...)

A global and integrative policy should be implemented to fight against corruption and not dispersed solutions. This policy must be global based on participative principles, involving citizens in order to raise awareness and all parties in any reform implementing good governance and promoting accountability. All suggested reforms and mechanisms should be implemented on the entire spectrum of organizations (civil, governmental, NGOs) in order to reach the desired transparency and accountability while insuring a fair and equitable goods and financial repartition for all August 4 victims and displaced people. Still these efforts remain random, uncoordinated and they don't tackle the core problem of lack of good governance and an accountability culture. In order to fight against corruption, promoting participative democracy and inclusive policies where citizens should play an active role in policy implementation, punishing corrupt politicians through voting. It is undeniable that there have been tremendous efforts supplied by different stakeholders in the wake of the Beirut Blast.

- ***REC#1: Limiting public deficit and monitoring public investment***

The Lebanese State needs to adjust the role of institutions in charge of monitoring and evaluating investment projects, through well-structured fiscal policies aiming at aligning public investment with good practices of implementing these projects. This implies the suppression of all special funds (South, displaced, CDR...) which drain the public budget without investing in the proper sectors. A Public Investment Management reference guide should be used in order to assess the project in projects management instead of the heavy public finance law process.

- ***REC#2: Implementing a coherent Public Procurement system in line with international standards***

The indicator for a change from within the public sector would be in strengthening the quality of public services through the reduction of red-tape, administrative transaction completion time, improvement of public officers – citizens' relationship, implementation of Human resources management practices, and the implementation of a Management by objective approach (MBO) which is able to engage officers in public service. It's important to mention that The Lebanese Public Procurement Reform Strategy was approved on May 20, 2022 by the Council of ministers

(decision no. 66). This strategy aims at reforming all needs in public procurement in line with international standards towards sound financial governance, economic recovery and restoring of trust. Nevertheless, these reforms should be diffused and applied in all public procedures in order to regain confidence among investors and provide funds to manage efficiently public services.

- ***REC#3: Limiting bureaucracy through the implementation of proactive transparency***

Proactive transparency requires the public administration to make relevant information available without waiting for citizens to ask for it. The implementation of proactive transparency requires from public administrations to diffuse relevant information without waiting for citizens to ask for the information. Lebanese government must consider downsizing its public sector, with more than 300,000 employees currently working in public administrations, compared to 175,000 in 2000 in order to reduce bureaucracy.

- ***REC#4: Ensuring the independence of Central Bank, yet ensuring better accountability***

The BDL should abide by the Code of the Money and Credit, that leaves room for the control of the Government (through the Ministry of Finance), and thus both the ministry of Finance and the BDL remains by law accountable towards the Parliament.

- ***REC#5: Promote the anticorruption Law in the public sector (N0. 175) and activate the role of the national commission to combat corruption***

- ***REC#6: Enhancing e-governance and pro-active transparency on a national and sub-national levels***

- ***REC#7: Support local governance***

It is essential to improve local governance by according an important role to the local state (municipality level) in order to put in place sustainable development policies boosting economic activities in the country through job creation and the strengthening of social ties and social cohesion. If sound governance practices are implemented on the local level (and the experience of many pioneer municipalities to that regard is quite promising), they will diffuse to the national level.

- ***REC#8 : Enhancing the cooperation between local authorities and CSO***

Building on some successful experiences in Tripoli and Saida, coordination platforms between municipalities and local CSO should be implemented in major Lebanese cities, to improve the responsiveness of the local ecosystem when facing crisis, and to enhance the mutual trust between private and public partners.

- ***REC#9 : Acting towards more recognition of the CSO's role in crisis management and prevention***

- ***REC#10 : Abiding by the Grand bargain principles and values***

It's important to note that international organizations and donors must respect the international agreement of the "Grand Bargain". Referring to this agreement, international agencies and donors have committed with local and national respondents to bring more means and resources into the hand of local populations, in accordance with the principles of aid localization. In this respect, local organizations should enhance their commitment to the localization principles and values, therefore improving the transparency of their interventions, and assuming their role as "change agent". Therefore, State agency should be complemented by CSO agency, in order to create a successful ecosystem for future recovery plans.

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I. Introduction

Corruption in Lebanon is widespread. Unsurprisingly, it plagues the economic structures of the country as well as its political, social and private institutions. It is one of the main explanations of weak governance and government inefficiencies. Corruption practices in Lebanon are mainly accepted due to the socio-cultural environment's tolerance and fostering of corruption. The lack of strong public institutions and the absence of a culture of oversight and accountability breaks down any effort of economic reforms which are deemed urgent and indispensable by international and local organizations in order to solve the economic deadlock. The much anticipated agreement with the International Monetary Fund, currently discussed with the Lebanese government is conditioned by economic reforms; however, political parties are doing their best to avoid such a deal in order to maintain their hold on vital economic sectors.

The devastating Blast of the Port of Beirut on 4 August, 2020 was a somewhat unexpected event which added to the country's ordeals but somehow unsurprising because of the staggering lack of efficiency in managing public sectors regardless of what might be discovered as a criminal act of terror, or not. Nevertheless, this dramatic event is not a circumstantial occurrence. It is the result of bad governance and it is emblematic of corruption costs suffered by the Lebanese economy, years after the official end of the civil war at the end of 1980's. The embezzlement of funds destined for relief efforts is also a predictable consequence of bad governance. The intervention of the private sector to replace the State in its relief functions gave way to new channels of corruption.

This study sheds the light on the misuse and mismanagement of incoming aid to Lebanon after the Blast and during the crisis; it emphasizes on the fact that Grand corruption¹ manifests itself in the public administration, in public procurement, in the banking sector as well as all recovery efforts in the country. The report aims at linking between the collapsing economic situation endured by the Lebanese economy since 2019 and the consequences of the Beirut Port Blast by conducting an in-depth analysis of Grand corruption in Lebanon.

In order to better understand the current situation in Lebanon in light of the Port Blast, an overview of the multiple crises faced by the country has to be drafted in order to identify the different actors responsible of both the economic and political deadlock as well as of the Blast. These crises have the same origin and have multidimensional impacts. Some new actors stemming from the civil society have emerged and played an important role in the Lebanese society through relief efforts. Since the Lebanese government was not only absent, but also inefficient and unwilling in solving the economic crisis coupled with a popular uprising, Civil Society Organizations (CSO) and Community Based Organizations (CBO) had to emerge to fill the gap and replace the State in its functions. However, these organizations have been accused to be plagued with corruption. The role of CSOs and CBOs in the reconstruction and the crisis management is discussed under the angle of possible bad governance and corrupt practices that impacted their mission.

¹ Grand Corruption occurs when: A public official or other person deprives a particular social group or substantial part of the population of a State of a fundamental right; or causes the State or any of its people a loss greater than 100 times the annual minimum subsistence income of its people; as a result of bribery, embezzlement or other corruption offence (Transparency International, 2016)

II. The Beirut Port Blast : A ring in a chain of deceitful events

On August 4, 2020, a large quantity of ammonium nitrate exploded at the port of Beirut. A deposit of 2,750 tons of ammonium nitrate had been stored in a warehouse without proper security measures for the previous six years. Shortly after 6 p.m., the roof of a warehouse caught fire, a first large explosion rocked the city, followed by a series of low detonations which, according to some witnesses, resembled fireworks. About 30 seconds later, there was a colossal explosion with a mushroom cloud and a shock wave that destroyed entire neighborhoods of the city. The explosion is said to have caused the death of 204 people, injured 6,500 people and caused 15 billion dollars in property damage and loss of economic flows. According to mapping and analysis of geo-satellite images by Copernicus, 11,671 residential buildings were damaged, of which 328 were severely affected. In addition, 626 industrial structures (other than silos) were affected, including 78 severely and 22 completely destroyed². Finally, 300,000 people were left homeless. Foreigners from at least 22 countries were among the victims. The United Nations High Commissioner for Refugees (UNHCR) reported that 34 refugees were among the dead and missing, and that 124 other refugees were injured. In addition, several soldiers of the United Nations Interim Force in Lebanon (UNIFIL), members of the navy of the peacekeeping forces, were injured. At least 150 people became permanently disabled as a result of the blast³.

The explosion was felt in Turkey, Syria, and parts of Europe, and heard in Cyprus, more than 240 km away. The blast was thus classified by the United States Geological Survey as a magnitude 3.3 seismic event and considered one of the most powerful non-nuclear explosions in history⁴.

Adding to a series of major crises that are shaking Lebanese society and its economy, from the banking and financial crisis of September 2019, to massive protest movements and political instability, the destruction of August 4 will leave lasting sequels.

The destruction of a large part of the Lebanese capital consequent to the Beirut Port Blast on August 4, 2020, as well as the efforts to rebuild the affected buildings and neighborhoods, is a part of a long history of similar events of reconstructions that date back to the Civil War (1975-1990). During the post-war period, large investments have been deployed to rebuild the downtown area of Beirut (what has been known ever since by Solidere area because of the privately-owned company which took in charge the reconstruction) and the rebuilding of the southern suburbs of Beirut in 2006 after the Israeli attack in July-August of that year. These situations should have provided a comparative framework which enlightens stakeholders and the State in order to improve their performance in relief efforts and as a basis for guidelines for good governance either for their immediate intervention and for accountability.

Lebanon is not the first nor the last country in the region and in the world to have witnessed a civil War and tragic incidents which devastated large parts of its geography. Other cases and examples in different Lebanese regions and even in other countries, have inspired policies of destruction relief and reconstruction, and they have pushed researchers to study them and recommend fast action standards. Such guidelines have been intentionally left aside by the political regime in

² Copernicus, 2020, p. 23.

³ <https://www.unhcr.org/news/briefing/2020/8/5f32469f4/beirut-blast-death-toll-includes-dozens-refugees-emergency-response-ramps.html>

⁴ https://en.wikipedia.org/wiki/2020_Beirut_explosion

place in order to leave a way for potential benefits from international donations. The international community has consistently helped Lebanon in its reconstruction investment; a large part of these donations has been in explicably embezzled, shaking the donating parties' trust in Lebanese authorities.

Although the Beirut Port blast joins a series of dramatic events hitting the Lebanese capital, it has some features which makes it unique in the country's history. First of all, the duration of the August 4 Blast is much shorter than in previous events. A small lapse in time was enough to damage between 10,000 and 15,000 buildings⁵ in Beirut and its suburbs, affecting around 300,000 people, while in previous events, there were large periods of time of bombings and war attacks. These damages are different in terms of types and consequences: shattered glass, buildings collapse, minor injuries and the death of more than 200 people. The farther the area from the epicenter of the Blast, the lighter were the damages: the damage in the area around the port where the Blast occurred is the heaviest. Needless to say, that mental, psychological and symbolic impacts have affected all the Lebanese population and triggered worldwide empathy with the event.

Another important feature of the Beirut Port Blast stems from the fact that it occurred in a period of major turbulence in Lebanon. It happened in a period of a severe economic crisis (which will be discussed below), a political deadlock, a pandemic of Covid-19 and in the aftermath of a popular uprising which started in October 2019. These events have deepened the mistrust between citizens and their State and triggered a feeling of helplessness in the population. While previous destruction periods have occurred during wars, there was still a hope for the Lebanese population for a better future, a cause that was being defended by at least a part of the people. The Port Blast served as a symbol for the absence of the State (especially in relief efforts) and the predatory nature of the Lebanese State which is not only helpless in face of events but even is responsible, at least in part, of their occurrence.

The Port Blast also triggered a discussion over the urban organization of the capital. The affected neighborhoods are socially mixed from the point of view of the religious denomination of the residents, their social class, their education level, the nature of the commercial and industrial activities, gentrification level and their dynamic of social change. This affected area has witnessed major civil uprisings (mainly in Martyrs' square). The fragility of the traditional, old, social tissue of the area threatens to breakdown the dynamics of exclusion of a segment of the population who was unable to cope with reconstruction. The Blast also raises more fundamental questions about the layout of the capital, traffic in the city and connections to the port.

Finally, the Blast pushed towards an accountability inquiry in order to define the responsibilities of the occurrence of the event. The current political regime is at least responsible for negligence or even complicity in the incident. The event launched an ongoing debate on the cause of the Blast and its perpetrators: who stocked the alleged 2700 tons of Ammonium Nitrate on the Port, what triggered the Blast and who should be accountable for the damages. This debate led the way to an investigation led by the Lebanese judicial system while there were many demands for an investigation held by the international community. The local investigation has been hindered by the lack of cooperation of local political figures directly implicated in the chain of responsibilities. The judicial process and all the obstacles posed by the political regime marks another failure for the Lebanese State.

⁵ The Order of Engineers in Beirut has issued an early estimate of more than 1,000 buildings have been damaged, of which 323 faced total collapse and 254 suffered major losses. 360 traditional buildings were damaged in this area, many of which were severely damaged.

III. A State on the verge of collapse

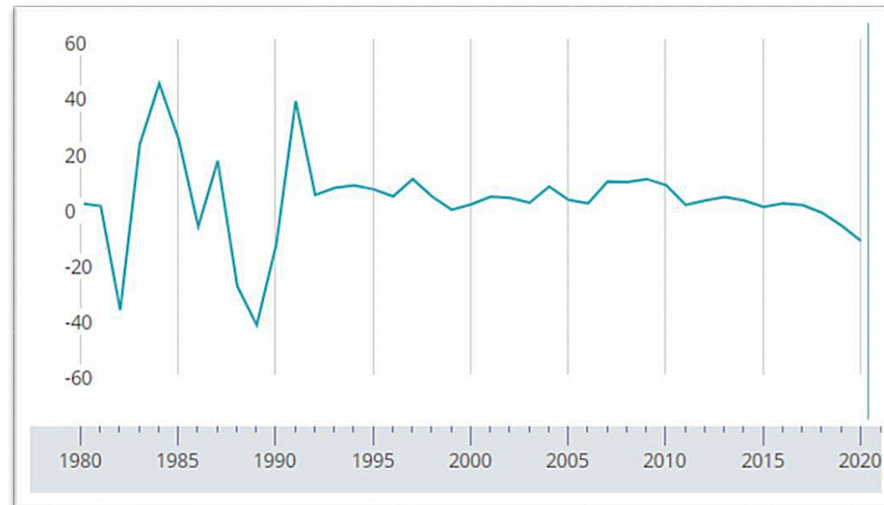
III.1 Inefficient economic policies

Lebanon is rigged with endemic corruption at both the public and the private sectors. In times of economic growth, the weight of corruptive practices seems lighter because it is easier for the public and firms to support its cost. In addition for being detrimental for an economy, practicing corruptive activities leads to decrease investment levels which impacts are heavier in times of economic crisis. In addition to that, the Lebanese governments are even considered as an obstacle for feasible investment projects and fostering innovation. Corruption is known for interrupting the interrelations between government and citizens in normal times, which disables the transparency and accountability process inside public institutions. Poor governance by the State remains the main reason behind corruption which is even more detrimental in crisis times

In order to clarify the link between corruption and bad governance, it is important to highlight the international stance of good governance. According to the United Nations Organization, governance is defined as the exercise of economic, political and administrative power to manage a nation's affairs on all levels: it also includes mechanisms, processes and institutions, by which citizens express their interests, execute their legal rights and respect both their duties and obligations. This concept of governance has three aspects: the process by which the government is selected, controlled and replaced, the capacity of government to implement adequate public policies through an efficient administration and the respect of rules which organize interactions between the State and citizens. These dimensions of good governance take place through a democratic political system, an efficient public administration, a competitive economic market and rules that are interiorized by individuals, and political, economic and administrative elites. Governments fight against corruption by redistributing resources to the entire population, aiming at reducing inequalities and favoring poor people. Reducing bureaucracy also remains a tool to address corruption, by avoiding the implementation of certain rules that curbs the freedom of speech for citizens; otherwise, bureaucracy intervenes and pushes public officials to align their actions with these rules. Consequently, bureaucratic agents take control of information about political and governmental decisions, and work on increasing their level of personal interest, which causes dysfunction of democratic mechanism within public institutions. These good governance practices have not been followed in the design of government policies. Their absence weighs heavily on a highly indebted country which regularly faces major shocks.

The Beirut Port Blast is a manifestation of the collapse of the Lebanese State. The structural financial and economic problems faced by the Lebanese economy give birth to such events. The local and international context doesn't help to unblock the situation. The popular uprising in October 2019 was accused of accelerating the downfall, but it certainly did not trigger it (*Figure 1*). The origins of the crisis date back to the civil war and the way the post war period was used to implement unsound monetary and economic policies implemented to serve individual interests in a complex system of bribery and rent-seeking institutions. The crisis period created a predatory State which is destined to failure. Government has failed to achieve its objectives of generating an inclusive and effective expansion of the economic activity. The fundamentals of the predatory State are: corruption, bad governance, heavy reliance on imports (which gives way to immense opportunities of bribery, especially on ports), an exponential increase in public deficit, public debt and reliance on consortium of donating countries.

Figure 1 : Economic growth, Lebanon, War, Post War and Beirut Blast time period



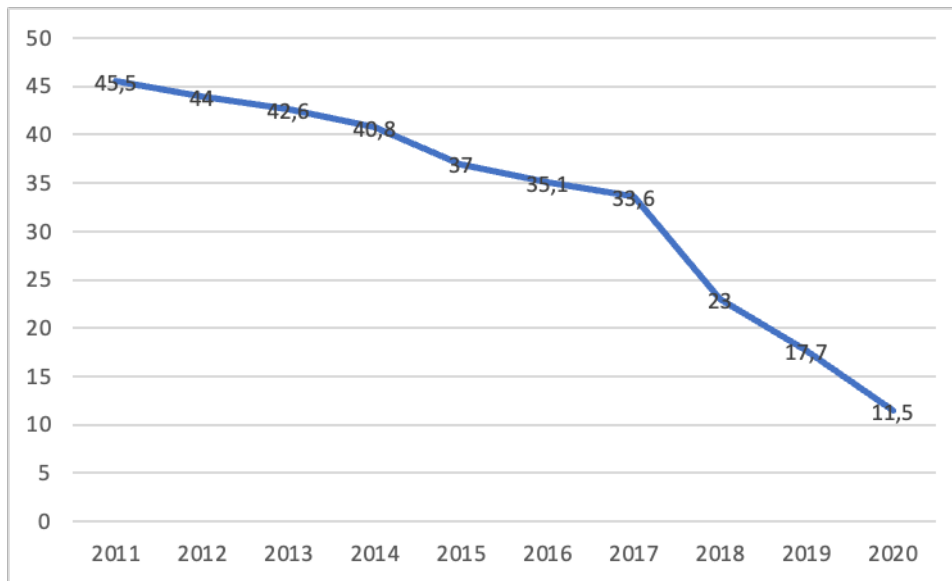
Source : World Bank data

III.2 . Wrong incentives from the international community

Postwar economic policies played with fire knowing that the international community will fish out the political regime at the end. Coalition governments formed after the Taef Agreement were aimed at representing all major political parties (rather political leaders), backed by regional and international forces. Members of governments were selected according to their political and religious affiliations, and seldom on basis of merit. One can expect these politicians to lack competency and worsen the economic situations by implementing irrational policies and wait for the international community to find solutions in times of turmoil. This behavior is called a moral hazard behavior: the different international conferences to help Lebanon on the way to recovery required economic reforms in order for the country to benefit from donations. The political parties in power used most of these donations to fund their electoral campaigns, increment their services to their supporters but seldomly to change the pattern of unsound economic behavior, gambling on the generosity of the international community.

The ability of the Lebanese government to leverage bailout measures in the form loans, large sovereign deposits, specific help, subsidies, donations after political and security events pushed them to count on the International community to fish the country out of its crisis at crucial times. Consortia of countries gathered after the 1993, 1996, 2006 Israeli Attacks, in Paris I, II, III, Cedre, Stockholm, Rome conferences, the KSA 1 billion deposit after 2006; all these initiatives aimed at granting billions in long term loans or bailouts. Lebanese governments relied on the International Community in order to be granted financial relief by finding "good reasons" to be helped out: helplessness to face political pressures, risks of bankruptcy, regional and international agendas, migration crisis, terrorism attacks; once the help is granted, governments relinquished in their reform efforts, postponing implosion. This moral hazard behavior was encouraged by the lack of oversight and an alarmingly empathic attitude from International Community to Government inefficiency to tackle such problems (Figure 2).

Figure 2: Government effectiveness indicator



Source : World Governance Indicator; World Bank

The lack of reliable and official data makes any public policies goal hard to predict and induces surprising effects on markets. Public policies should be scientifically assessed by a cost-benefit analysis based on comprehensive prediction models; needless to say, that such evaluation is out of the scope of policymakers in Lebanon.

III. 3. Monetary policies

One of the main symbols of hazardous policies conducted in Lebanon after the Taef agreement is the Lebanese Pound-American Dollar peg conducted come rain or come shine by the Banque du Liban (BDL). The BDL was not able to keep its peg target during the recent crisis and has implemented arbitrary decisions regulating commercial banks and other financial institutions. The BDL has been unwilling to help the forensic audit of its accounts (with the International Audit firm Alvarez & Marsal) in an attempt to block any accountability claims. After the uprising of 2019, the BDL lost control on the exchange rate (an official 1507.5 LBP per dollar) and let the exchange market to determine its value (effective or speculative). Currently, there are several competitive exchange rates in Lebanon today determined by the BDL, exchanges offices, commercial banks (abiding by BDL circulars) in addition to the black market exchange rate which reflects best the variations in demand and supply of USD. Since the nineties, the fixed exchange rate goal, allowed to keep the free movement of capital, which pushed the BDL to lose its sovereign monetary policy (what is called the impossible trinity).

In the Postwar period, no significant economic policies were put in place to boost productive sectors of agriculture and industry; the economic rationale was to rely more on imports given that foreign countries have a comparative advantage in most productions, which translated into a chronic trade deficit, putting even more pressure on the demand for the USD dollar while maintaining an artificially relatively high value of the Lira against other currencies.

The recent devaluation of the Lebanese pound deepened the mistrust of Lebanese in their public monetary institutions and translated into a chronic mistrust in the Lebanese pound. The devaluation of the Lebanese Pound Lira led to a spiral of hyperinflation, followed by salary adjustments mainly

asking for fresh dollars, increasing even more the pressure on the exchange rate. During the first episode of devaluation in the 1980's, amid the Civil war, inflationary pressures pushed depositors to convert their savings to the USD, and the trust in the national currency was never recovered. National currency is a symbol of sovereignty and the fact that people do not trust their currency is another symbol of mistrust in public institutions. This has shaken the fundamentals of the Lebanese economy, breaking down the relationship between citizens and their banking system permanently, knowing that the economic model of the 1990's was built around a strong banking system.

How can the monetary policy be rigged with corruption as well? The fact that the BDL engineered a Ponzi scheme, of national dimension, with the consent of the Association of Banks in Lebanon (ABL) is a proof of how public figures remain in office while they have been conducting a full scale embezzlement of Lebanese people savings. The Governor of the BDL has been the target of many national and international subpoenas accusing him of corruption, money laundering, illicit enrichment...

The BDL behavior and decision before and after the 2019 is questionable. Since the 2019 uprising, depreciation pressures were met by alarmingly confident declarations by the Governor of the BDL. In reality, the banking system has rationed its supply of foreign currencies claiming that the BDL has swapped Eurobonds into Certificates of deposits, with comfortably high interest rates, rationed the transfer of funds (a *de facto* capital control), and conducted controversial restrictions and conversion operations on deposits withdrawals (in compliance with BDL's circulars 148 and 151 for instance). The liberalization of the exchange rate has put it in the hands of speculators. Who are the BDL and ABL accountable for? In a country claiming to enjoy a free-market economy, how has private property been disregarded?

When bad governance is coupled with absence of transparency, one can expect that the less powerful parties to bear the consequences. The monetary policies conducted by the BDL and competition between commercial banks attracted savings promised to receive alarmingly high interest rates. Citizens have been lured into a dynamic and prosperous banking sector and have entrusted commercial banks to make their financial investments profitable. The small depositor is not supposed to link between interest rates and high risk; savers are not aware of the negative consequences of such schemes. They are supposed to be protected by the banking system. The mistrust between people and banks will not be reestablished any time soon and some are enforcing their deposits to be retrieved in a criminal, yet unavoidable manner.

III.4. Public Debt dynamics

Sustainable growth plays an indispensable role in measuring the extent of corruption: the more countries reach a rapid growth, the more corruption is reduced, but a slower economic activity is correlated with an increase of corruptive practices.

Lebanese Governments chose starting 1992 to issue short term T-Bills with high interest rates in Lebanese pounds in order to get leverage for infrastructure and reconstruction investments. Starting the end of the nineties, consolidation and conversion efforts advocated by international community missions triggered a change in debt dynamics into issuance of more Eurobonds, with

longer term maturities and with lower interest rates. This move was supposed to decrease debt service, but constrained the debt into hard currency.

Debt liabilities pushed the Central Bank into awkward Financial Engineering processes (mainly swap operations) in order to collect USD from the market and to meet its Eurobonds repayment dues without defaulting. It is in this sense, that the BDL continued on prioritizing politicians' interests over sound monetary policies. The main stockholders in major commercial banks are non-other than political figures in power. Liquidity in US dollars became scarcer as soon as Eurobonds came into maturity. The option of diversifying the sovereign portfolio would have, from the start, made the debt dynamics less dependent of the US dollar and diluted the need to retrieve dollars from the market. The main beneficiaries of Treasury Bills are commercial Banks which profits mount up to around 22 billion USD in 26 years. Consolidated balance sheet of commercial banks mark 230 billion USD of assets (4.5 times national GDP) with 173 billion of deposits.

The staggering interest rates on T-Bills issued in the nineties reaching an alarming 32% on some 3 months bills in 1992, pushed up the interest rate structure on loans and deposits. Commercial Banks found in T-Bills investments a perfect way to steadily increase their profits with low risk and high returns. With a comatose stock market, the funding of the economy is blocked by commercial banks' lending preference. Private investments are too costly, too risky to engage in, leading to a sluggish competitiveness (according to the Global Competitiveness Index –ranked 88th- or World bank's Doing Business index – ranked 143-). Banks' explicit, sustainable and constant funding of public sector's expenses crowds out private investments literally killing private initiative and innovation.

Nonetheless, Lebanese governments have never defaulted in repaying their debt liabilities by choosing the easy way out: issuing new Treasury bonds at maturity until March 2020 where the Hassan Diab-led Government decided to suspend a bond payment of \$1.2 billion due on March 9, explaining that foreign currency reserves had hit alarming low levels and were needed to provide the market with hard currency for import needs and subsidies of basic needs (fuel, gas, medicine, wheat). New debt is used to repay an old debt. The government has to pay the interest on current debt, and on old debt which increases public expenditures up to a point where debt service represents half of public expenditures.. The only solution is to achieve a growth rate in real GDP which exceeds the average interest rate on Treasury Bills (around 8%). Public Debt represents 140% of real GDP in Lebanon in 2021.

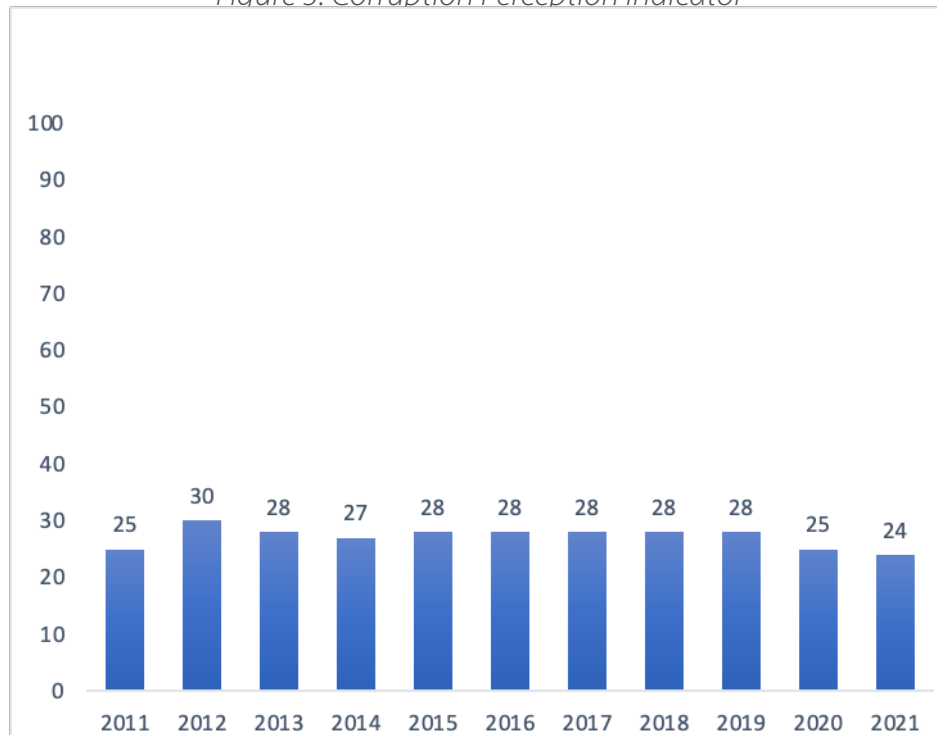
III.5. Role of the State

There is no consensus on the economic role that should be played by the Lebanese State. As per the Lebanese Constitution, Lebanon is a free-market economy where competition is sacred. The State has to intervene the least and keep the private sector take in charge investments by deregulating the market and eliminating all barriers to competition such as monopolistic position, cartels, exclusive agencies. The keyword here is efficiency, which is obviously not at the top of the agenda in public policies in Lebanon. For instance, there is no technical, economic or financial reason for the Lebanese State to keep on producing electricity through EDL and keep on subsidizing it annually by around 1.5 billion USD. It could have been opened to partnership with a number of private companies which triggers competition, reduces prices and enhances the quality of services.

Lebanon is one of the most corrupt countries in the world and it's important to analyze corruption in the country in relation with the nature of the state. It is a broad concept difficult to apprehend.

Nevertheless, the CPI, Corruption perception indicator, measured by Transparency International, has reached 2.4 over 10 in 2021, which means that Lebanon is among the most corrupt countries in the world (Figure 3).

Figure 3: Corruption Perception Indicator



Source: Transparency International

Over the last decade, Lebanon has faced a severe economic crisis tied to Grand corruption issues that threatened its social structure and its political stability. Lebanon has faced a severe recession suffering from a low economic growth and heavy public debt that peaks around 150% of GDP and this economic and financial crisis is directly tied to bad governance and political abuses. Corruption is rampant in Lebanon and it is deeply entrenched, in private and public sectors. Lebanon has known all forms of corruption; it is mainly related to the payment of bribes, to vote buying, to favoritism, to nepotism and mainly to pork barreling »⁶. Politicians in Lebanon abuse from public funds for projects designed to maximize their own revenues in order to win votes. Corruption in Lebanon is connected to « embezzelment⁷ », to fraud(swindle) and to extortion.

Even though Lebanon has ratified international conventions against corruption, corruption has increased rapidly over the last decade and it's mainly a political issue in the country. Corruption constitutes a phenomenon that is anchored within the Lebanese society. It is also perceived as a key factor that affects the growth and the development of the country. Moreover, corruption is remarkably widespread, where respect of laws and control of regulations do almost not exist. Corruption in Lebanon is not only limited to violation of judicial and legal values, but also it includes the execution of illegal social, political and economic activities. So, corruption in Lebanon is tied to all types of corruption:

⁶ It's defined as the abuse of power by politicians in order to maximize revenues to his community.

⁷ The Order of Engineers in Beirut has issued an early estimate of more than 1,000 buildings have been damaged, of which 323 faced total collapse and 254 suffered major losses. 360 traditional buildings were damaged in this area, many of which were severely damaged.

- Political corruption: Implementation of reform programs and policies that favor personal interests of politicians only.
- Electoral corruption: Manipulation of election results in favor of political parties through vote buying and theft of electoral ballot boxes.
- Bureaucratic corruption: Power abuse by officials and employees in public administrations to facilitate public services illicitly, and receive in return personal profits.
- Economic corruption: Use of public funds to take different actions that deprive government from public revenues to finance public expenditures. These activities can be a violation of intellectual copyrights, fiscal fraud and non-declaration of information related to revenues; not to forget the payment of bribes and illegal fees.

Corruption in Lebanon is articulated with personal behaviors, and people tend to practice it for many administrative, political, economic and social reasons. It is explained by institutional weaknesses, lack of control and oversight of laws and regulations, lack of transparency by government and poor governance of judicial rules by legal authorities. At a political level, political parties use their power during electoral process, leading to violate democratic values and freedom of speech rights, hence weakening the active participation of citizens in decision-making process. At a social level, individuals evolve in their social position through practices from confessions, instead of employing the power of law, which leads to abandon the global interest of society. Such situation is applied on public officials who have no respect towards public goods and focus on their personal interest. Corruption in Lebanon is pervasive but it is mainly political in Lebanon. The favor-Buying is wildly spread in the country. It connects leaders, pressure groups and favor-buyers.

On a political level, the Lebanese system is factional and appears in several aspects: communities, confessional regimes, the power of tribes and clans. Such factionalism is the bitter enemy of political stability, economic development and democracy in Lebanon. Furthermore, the political system favors the legislative, executive and economic corruption, putting Lebanon at the heart of regional and international interventions in the country's affairs. On purely economic level, the excessive use of indebtedness by Lebanese government reduces the level of national saving, and deprives the State from financial resources required to invest in economically productive sectors. Moreover, the economic structure based on illegal income weakens the national production and increase the need of certain goods. This weak level in production is explained by the deficit of trade balance, reduced level of fiscal revenues and excessive debt use.

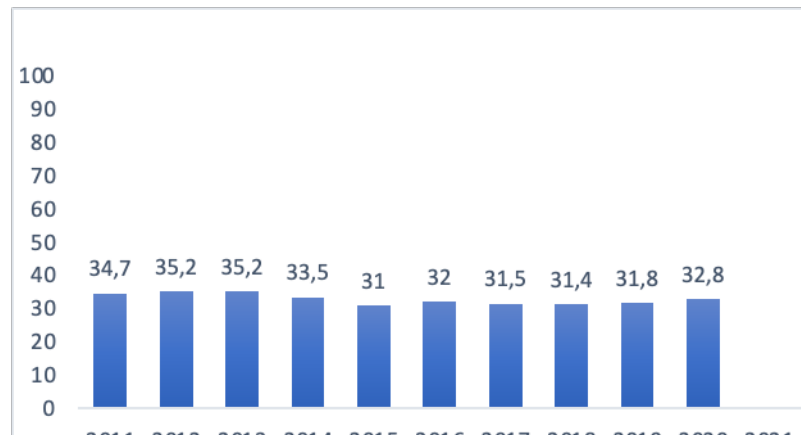
This system encourages the fragmentation of society and abandons the collective interest in achieving socio-economic development, favoring the interest of each community or tribe only. Moreover, the confessional political system and economic structure in Lebanon block the road to economic expansion, decrease the role of government and neutralize the implementation of policies guided towards socio-economic development. So, corruption is obviously the key element behind the political and social discomforts on an economic level in Lebanon, constituting a perturbation of the political governance that is based on the establishment of a powerful government.

The confessional political regime leads to the violation of social norms and work ethics in public sector, and promotes values of nepotism, clientelism and payment of bribes by citizens to officials in governmental institutions, which is applied in the case of Lebanese economy. As a result, confessionalism in Lebanon complicates the access to public services, and obliges the citizens to execute informal and illicit payment to get the needed service. Moreover, tendency to facilitate the ability to receive public services using a third party is widely remarkable in Lebanon. Consequently, the widespread culture of bribes constitutes an issue that downgrades the quality of services offered by the government to the whole population.

IV. Grand corruption and Management of Post Blast crisis

The mismanagement of the crisis in the post Blast period lays many responsibilities on the parties in charge of the relief effort and the management of donations and funds; the failure of government while having a bird's eye view on the corruption, the financial and technical problems and the lack of oversight on CSOs and CBOs, local and international in their management of donations. The main issues in managing the crisis are related to the lack of accountability, lack of control and regulation to fight corruption, and they are a predictable repercussion of the long term bad governance in the Lebanese State (Figure 4).

Figure 4: Voice and Accountability



Source: World Governance indicator ; World Bank

The public use of the word corruption is erroneous. Corruption should not be confused with fraud, embezzlement, commissions, vote buying... Fighting bribes can be detrimental in a bureaucratic economic environment. It can serve as "speed money" in order to quicken administrative transactions as long as it is contained to "petty corruption". Larger scale questionable transactions are easier to document and should be tackled through Treasury Accounts Some public administration in Lebanon has implemented a VIP service in order to finish some transactions in no time. This is an illustration of the institutionalization of corruption which goes against equality in the access to public services, but can be a practical solution in countries where corruption is engraved in people's culture.

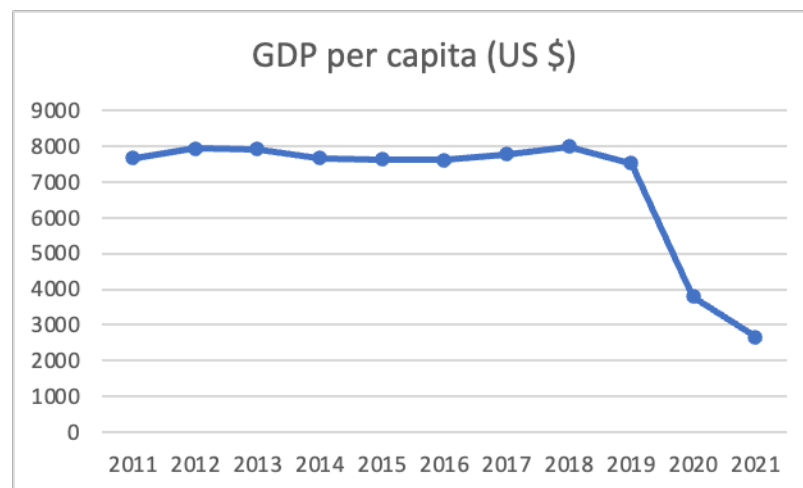
The overview of the random treatment of the Port Blast cannot be explained without tracing it back to a more profound structural problem related to Grand corruption.

IV.1. Role of State agencies

The context of the Beirut Port Blast is exceptionally unique, to say the least. In addition to the economic crisis and the multiple waves of the Covid-19 pandemic which were both alarmingly mismanaged by the State, the consequences of the Beirut Port Blast were expected to receive the same treatment. In addition, the disappointment of the Lebanese population of any drive to change since the October 2019 uprising, prepared to take the matters in their hands, disregarding the spread of Covid-19, the striking fall in their purchasing power (Figure 5) and not wait for useless government intervention. The main demand of that uprising was to curb down the endemic corruption plaguing all sectors of the State in an attempt to recover the citizens' basic rights.

This citizen mobilization is unprecedented by Lebanon and marks the first coalition of citizens to overcome obstacles and replace the State in its basic functions.

Figure 5: GDP per capita (US \$)



Source : World Bank National Account

The crisis management following the Beirut Port Blast shows that the State has had an arbitrary and uncoordinated intervention in face of such a dramatic event. Lebanon is not new to catastrophes whether they are foreseeable like in the case of war or unexpected such as natural disasters or industrial accidents. A national High Relief Committee (HRC) is a governmental agency which was put in place for relief efforts in the wake of catastrophes. It has to have the necessary funds to play a major part in such events, but it deployed its major efforts in recent years in provide food and health services to Syrian refugees. The lack of efficiency of State response manifests itself in its inability to gather information about the Blast, its lack of coordination with other governmental and non-governmental agencies and its inability to provide relief efforts to damaged properties and to the injured. International aid and inflow of donations from foreign entities and from the Lebanese diaspora were channeled through private NGOs such as the Red Cross or through the Lebanese Army, which is once again an illustration of the lack of trust in governmental agencies.

Furthermore, international aid has come up against the problem of the public authorities' lack of credibility in the management of rescue and reconstruction plans, and the economic and social responses to the disaster have been mainly the work of local associations and international organizations, supported by major international agencies. However, the problem of coordinating humanitarian action and rescue, restoration and reconstruction interventions lies in the absence of a lead line or implementing agency providing overall guidance and programmatic oversight (which would play for example the same role as the UNHCR in managing the Syrian refugee crisis) by coordinating the action carried out on the ground by the hundreds of organizations or the line ministries.

As the World Bank asserts in August 2020 in its assessment report of the explosion, the Lebanese context imposes "a non-traditional model relying more on NGOs and civil society" while also keeping in mind "the long-term need to strengthen the capacities of the Lebanese state and reduce the capture of aid by political elites" [World Bank, 2020, p. 19]. The same observation had already been made by the UNDP, in a 2010 study, which warned of the risks incurred by the inability of the Lebanese State to deal with such destruction, calling for a remediation strategy that would "the lack of linkages between government priorities in disaster risk reduction, research centers, funding agencies, private and public universities" [UNDP, 2010, p. 27].

The lack of coordination is also explained by the multiplication of the levels of intervention in the immediate response to the explosion, with an immediate “Ground-zero” rescue reaction accomplished by thousands of residents of the damaged neighborhoods, working alongside institutional structures at the forefront of which we find UNDAC, V-OSOCC (Virtual On-Site Operation Coordination Center), the EERC (European Emergency Response Centre), as well as international teams (whose first arrivals were the teams from the Netherlands), while the Lebanese state refused to set up a reception and dispatch center at the airport, making the coordination of international aid even more chaotic, with an unclear chain of command [URD, 2020].

The most sensitive direct consequence of these multiple decentralized or uncoordinated actions has been the aggravation of the feelings of neglect, manipulation, and violence felt by the victims.

When such dramatic events occur, all state agencies are expected to gather their efforts to quickly provide relief to the local population. They are expected to help, not be replaced, by CSOs and CBOs. In reality, the situation was marked by a near absence of government agencies and Beirut municipality for emergency aid and repairs. They have failed to lead and organize the needed strategies for recovery. It was a citizen mobilization that made it possible to remove the rubble, clean the streets and provide shelters for the displaced. Private hospitals, albeit their massive destruction in the proximity of the Blast pursued their mission to provide care for the injured. Religious institutions played an important role in the relief effort as well. The Lebanese Army played its conventional role in controlling the neighborhoods and coordinating the actions of CSOs and CBOs by dividing the areas of intervention and kept an open eye on the actions of these groups and the funds they receive from foreign aid.

Law 194, passed in September 2020, provides for the creation of a reconstruction coordination committee, but it has not yet been formed due to lack of legislation. This event illustrates the marginal role played not only by State agencies but by urban planning municipalities, because it demonstrates their discretion on the ground, their main interest being to preserve and classify cultural heritage without any funding possibilities for reconstruction. Construction interventions are the main targets of such agency’s mobilizations, even if the Blast has relaunched heritage protection projects, which has been a law proposed by parliament since 2000 but unfortunately blocked.

Unfortunately, the matter of data collection and accurate statistical figures is not in the habits of Lebanese officials who tend to overestimate their numbers in order to dramatize the situation and eventually benefit from an excess in funds. The General secretary of Union of Labors announced that 10000 job opportunities have been lost due to the Blast. The General secretary or HRC announced that 90000 residents are affected by the Blast and 7000 residential units destroyed; he asked residents to take pictures of the damages themselves and send them to the HRC for compensation! The ministry of Interior announced that the investigation needed 5 days to be completed!

The needed collaboration between government and local authorities was shy. The HRC contributed to lifting the damages from the streets to facilitate the transit of ambulances. There was a sporadic distribution of urgent aid to the victims in the affected areas, in collaboration with other agencies (municipalities, Lebanese army, and local and international organizations, etc). This collaboration diminished in the days after the initial shock. The mayor of Beirut explains that in the first place a decision was made not to destroy any furniture without the approval and decision of the mayor. Secondly, he asked to start the work of investigation of the damage to know the volume of the damage and in order to avoid the destruction of the buildings so damaged on these inhabitants. Dump sites outside of Beirut were prepared to dispose of the remaining embankments.

To deepen even further social inequalities, some real estate developers, backed by political forces, tried to acquire crumbling properties, labeled as traditional heritage, whose owners are unable to repair them. This trend highlights a dynamic of urban change towards gentrification, with more than 2,200 new buildings constructed in Beirut since 1995 and many similar projects underway. In the midst of trauma, some tried to benefit from the dire situation in order to make speculation profits amid a recession in the real estate market; the economic situation and the instability of the exchange market favors an increase in the number of people who seek to buy houses or land so as not to lose their bank savings. At the same time, the country's financial insecurity, massive migration and poverty seem to be long-term negative factors favoring the supply of real estate properties as well.

Meanwhile, urban activism has given rise to a series of initiatives that suggest significant changes in the way the capital is rebuilt. It is remarkable that most of the information available on the post-August 4 situation has been produced by civil organizations, local and international which were able to promote debate on heritage rehabilitation issues, draw attention to social issues, vacant housing and monitoring evictions. These initiatives criticize top-down approaches that have reconfigured the urban organization of Beirut in the post Civil War period and insist on a participatory logic centered on the population and its needs. They are therefore with initiatives aimed at improving abandoned open spaces and integrating them in the social network.

The State is supposed to guarantee its sovereign functions of security and justice. It has to promptly launch the investigation, protect the prosecutor in charge of the case, gather extensive data from witnesses, surveillance cameras and bring to interrogation all potential accused. It has to offer security and compensation not only to the population directly impacted by the event, but to reinstate its ability to symbolically offer protection to all its citizens from the reoccurrence of such dramatic events. On the contrary, the Blast deepened the horizontal schism in the Lebanese society shacking even further the social contract between the State and its citizens. Even when an International Special tribunal for Lebanon has been put in place in order to bring to justice the perpetrators of the Assassination of former Prime Minister Hariri in 2005, the results of the investigation and the verdict seldomly gathered any popular consent and was at best used as a tool for political bickering.

Finally, it is obvious that the Lebanese State doesn't have the financial resources to rebuild the damaged properties or to compensate for the injuries and victims. In such situations, the Lebanese State usually issued T-bills on the financial market in order to levy the necessary funds increased taxes or counted on donations from foreign countries. However, these three means of financial support were impossible to trigger due to the highly risky rating of Lebanese T-bills ever since the payment default decided by the Hassan Diab government, the difficulty to raise taxes in times of economic crisis and the lack of trust of donating countries to provide any financial relief for the government. However, the government did not attempt to find new ways to fund recovery through crowdfunding for instance or national campaigns to levy donations. In any case, such initiatives cannot be conducted by a political regime which lacks the trust internally and internationally. The political deadlocks and international sanctions smothered any possibility for economic reform and any state centralized relief efforts after the Port Blast. The international community was clear in its declarations that it doesn't trust the Lebanese government and prefers to channel humanitarian aid through private channels.

In times of national catastrophes, recovery duration has to be limited to the maximum in order to restore the lifestyle for the affected individuals as it was before August 04, 2020, heal the injured and find shelter for the displaced. Some of the difficulties that the rescue teams faced during their

field work are understandable such the magnitude of the damages, the psychological trauma and citizens' anger. However, the absence of the State and its agencies, the lack of funding and especially the disregard of accountability are far from being tolerable.

IV.2. The part played by the Lebanese Army

Faced with State helplessness, the Hassan Diab-led government which was forced to resign under popular pressure a week after the Blast (marking once again the State inability to face any type of crisis) chose to delegate the mission of recovery and relief to the Lebanese Army. Albeit the fact that State institutions have lost the people's trust, the Lebanese Army still maintains a strong bond with the Lebanese people. Although some of the Army commanders have been implicated in the Beirut Blast or in corruption affairs in the past, the Army as an institution persevered its image of security provider. It is one of the very few remaining institutions that benefit from people's legitimacy because it stems from the people itself and has managed to avoid sectarianism. It is still the only institution which can take charge of the sovereign protection of people in face of illegally armed militias. Hence, its role after the Beirut Blast is the closest to a good governance example.

The Army was able to complete the work on 85,744 damaged units in 15 days. About a month later, the army was missioned to distribute 100 billion Lebanese pounds to those affected by the Blast, a task that was the result of trust in the army, transparency, organization and the precision. The owners of 10,274 dwellings out of 62,087 i.e. a percentage of 16.5% of the total concerned dwellings surveyed benefit from the first stage of compensations. This mechanism gave relief to residential units classified into regular and medium categories, and those close to the site of the Blast were given priority, to allow those affected to complete the repair in their damaged dwellings (windows, front doors...) before wintertime. The damage estimation work was carried out by 250 committees composed of more than 1,000 officers and 500 civil engineers, who succeeded in briefly examining 85,744 affected units distributed as follows: 60,818 houses and dwellings, 14,073 businesses, 962 restaurants, 5,042 commercial companies, 12 hospitals, 77 houses of worship, 82 educational institutions, and 1,137 archaeological units.

The committees divided the affected areas into eight sectors, dividing each sector into 15 working groups, and each group working with 16 teams that completed the tasks in one day. The 176 agents directed the committees to neighborhoods, streets, and furniture. Each building has been given a special number to access it in order to obtain the property number, owner's name and telephone number for this release with the victims directly. The different forms were completed depending on the type of unit affected and each contained accurate and complete information on the type and extent of damage (lebarmy.org).

The military called on victims to stay at their homes and institutions on specific dates in order to receive the visit of data collectors. The surveys were carried out over the period of eight days, within 2.5 kilometers of the site of the Blast, the most affected area, while the surveys of the units within 7.5 kilometers lasted seven additional days. The Army command extensively broadcasted in the media, and on its webpage that the victims who could not receive visits on the specified dates, should communicate with them through a specific telephone number assigned to this matter; each victim must send two messages by WhatsApp, the first includes "Share the Location",

while the second bears the phone number of the affected person, and once the Army receives this information, its teams were able to inspect the damages and complete the forms.

IV.3. The part played by CSOs and CBOs

The October 2019 uprising gave a charge of hope for change for the Lebanese people, reclaiming a better future. It was a remarkable event by its extent to all Lebanese regions and mobilized people from different social background and political affinities. They all demanded fighting corruption and a structural change in the political figures in power for more than 30 years. These spontaneous and more organized mobilizations marked the will for change; the way the regime in place dealt with these demands through violent repression of manifestations marked the predatory nature of the Lebanese regime. The October 2019 gave way to the election of 13 self-called “change deputies” in the 2022 parliamentary elections. The Beirut Port Blast prolonged this wave of hope but once again it was met by even more aggressive repression by security forces and a massive blockage in the judicial process.

Between these two events, CSOs and CBOs took a larger part in the process of change and replacement of the bankrupt State in its traditional roles as it has been developed in previous sections. The fact that these organizations are well funded (local and international donations) in parallel to a mere absence of the State made their intervention beyond accountability. Unfortunately, they were accused of using their focal part in recovery efforts as an opportunity to levy funds without channeling them to their targeted destination.

The fact that a large part of these organizations is backed by political parties and by religious institutions, there is no reason they stay away from corruption practices. Corruption is an intrinsic element of the social tissue of Lebanon. Amidst the collapse of the Lebanese economy and the quick devaluation of the Lebanese Pound, CSOs and CBOs attracted many of the qualified workforce to leave their jobs paid in national currency to positions paid in fresh dollars. This migration of competencies has drained the vital sectors of the economy from their qualified workers (hospitals, universities, schools...).

In addition, the Lebanese State has failed to implement an auditing scheme to control the use of the funds collected by CSOs and CBOs. These organizations have to submit their financial statements to the Ministry of Interior at the end of each, but they are exempt from paying taxes since they are supposed to be non-profit seeking organizations. Due to their large number, the fact that they are politically covered and that they have replaced the State, they are mostly left aside from any accountability requirements. The number of these organizations increased tremendously since the beginning of the economic crisis and since the Beirut Blast.

The sources of funding came from Lebanese diaspora (18.5 million USD), local citizens, grassroots initiatives, foreigners, donating countries and international organizations (UNHCR, WFP, UNESCO...). Fundraisers were organized in order to collect funds as well as direct donations, and crowdfunding initiatives. There is not an official estimate for the funds collected by the different organizations but some figures are declared by the actors themselves : Red Cross (28 million USD), Offre Joie (8.5 Million USD), Beit el Baraka and Nusaned (4 million USD each) in addition to 150 billion LBP offered by the Lebanese government through the Lebanese Army⁸. These figures remain modest

compared to the estimated damage (between 6.7 billion and 8.1 billion USD, WorldBank figures).

Local organizations found themselves faced with a surging demand of food, medicine, shelter, water needs without the proper management skills, accounting, and fundraising competencies. They did what they could with what they managed to supply in reconstruction and healing efforts. They were called upon to share their financial and material information through a digital platform put in place by the Forward Emergency Room (FER) jointly with the Red Cross without any legal obligation to do so. Out of 536 organizations registered on the platform, the number fell to 374 legally recognized by the Ministry of Interior and only 158 actively coordinating their activities with the Lebanese Army (merely a third of the initial figure). Some parties and religious institutions also mobilized resources playing on a religious note to protect the local neighborhoods which are mostly of Christian denomination in the proximity of the Blast region. 61% of these organizations are backed by political/religious entities.

This discrepancy shows the importance of accountability for these organizations which declare themselves as saviors in face of a bankrupt State. The fact that a large number of these organizations declared their intention to help, visited sites, residential units, collected information of damages and then disappeared puts in question their sincerity in fundraising and channeling them for relief efforts. It is outstanding that in times of severe turmoil, some organizations find the way to retrieve benefit out of people's ordeal, benefitting from the lack of oversight by authorities. The platform published a figure of around 25 million USD collected by the registered organizations.

V. Recommendations

Lebanese governments in the post-War era have triggered many initiatives to implement anti-corruption policies which were unsuccessful obviously. Most of them were met with a strong resistance to change by the ruling parties which have actively taken part themselves in the Civil War. These policies were either difficult to implement, either not suitable for the specific case of Lebanon since they don't heal the problem by its roots. Albeit the launching of the National Strategy to fight corruption in 2016, it ended up with the appointment of a State Minister for the fight against corruption which disappeared ever since. Not one operational measure has been implemented in order to seriously fight against this phenomenon.

In terms of regulation, the Lebanese Parliament has enacted some laws to fight against corruption: the whistleblower protection law (n. 83, October 10, 2018), a law to enhance transparency in the sectors of Oil and Gaz, the creation of a national commission to fight corruption in the Public Sector (Law n.175, May 8, 2020), the law for lifting bank secrecy for political figures and public servants in cases of corruption suspicion (May 28, 2020). These laws are a good starting point, but they need to be modernized, amended, and made operational by the executive branch and the judiciary (illicit enrichment law, financial disclosure law, the restructuring of the court of accounts and audit and central inspection commission, public procurement law...)

A global and integrative policy should be implemented to fight against corruption and not dispersed solutions. This policy must be global based on participative principles, involving citizens in order to raise awareness and all parties in any reform implementing good governance and promoting accountability. All suggested reforms and mechanisms should be implemented on the entire spectrum of organizations (civil, governmental, NGOs) in order to reach the desired transparency and accountability while insuring a fair and equitable goods and financial repartition for all August 4 victims and displaced people. It is undeniable that there have been tremendous efforts supplied by different stakeholders in the wake of the Beirut Blast. Still these efforts remain

random, uncoordinated and they don't tackle the core problem of lack of good governance and an accountability culture.

After the recent crisis in Lebanon, recommendations for enhancing governance practices get inspiration from the Reform, Recovery and Reconstruction Framework (3RF) developed by the World Bank Group (WBG), United Nations (UN), and European Union (EU) with civil society, Lebanon's government, and the international community in December 2020 which provides a "roadmap to operationalize the findings of the Rapid Damage and Needs Assessment (RDNA) plan suggested by international organizations and the Lebanese Reform, Recovery and Reconstruction Framework". Recommendations must include feasible policies to address the economic and financial crises and increase accountability to fight against corruption on the short and long term. By accomplishing these targets, all parties feel implicated in the reform.

The 3RF is an important set of guidelines defined by international partners to help out Lebanon recovery immediately after the Beirut Blast (Track 1) and on the longer term (Track 2) in order to strengthen the efforts on a path to more sound economic and social reforms. Based on an overview of the initiatives taken by all stakeholders after the Beirut Blast and tracing back to Lebanon's history of failed policies, the 3RF proposes to pursue two tracks in parallel, one cannot succeed without the other:

- "Track 1: A people-centered recovery track focusing on essential actions, such as policy measures, investments, and institutional strengthening, to address urgent needs of the most vulnerable populations and small businesses affected by the explosion. This people-centered support will largely rely on receiving adequate international grant financing, and on clear progress on immediate policy action to facilitate recovery, such as the adoption of appropriate actions plans and institutional measures.
- Track 2: A reform and reconstruction track, focusing on critical reforms to address governance and recovery challenges in Lebanon as well as investments that focus on the reconstruction of critical assets, services, and infrastructure. Progress on governance and socioeconomic reforms are prerequisites for mobilizing international support for reconstruction beyond the recovery track, and for unlocking new sources of public and private finance."

The 2 tracks are divided into 4 pillars: Improving Governance, Job and Economic Opportunities, Social protection, Inclusion and culture and Improving Services and Infrastructure. Out of a total budget of 2.06 billion distributed on the 2 tracks and the 4 pillars, a budget of 9.075 million is devoted to Pillar 1 (improving governance and accountability), which represents almost 0.4% of the total estimated budget.

The 3RF offers a promising, wholesome approach to dealing with the many difficulties at the level of policies implementation in Lebanon in general and specifically after the Beirut Blast. It promotes an integrated and participatory approach, inclusion, gender equality, transparency, eco-friendly policies, better coordination and communication... These are scientifically sound policies advocated for by international organizations throughout the world and they are definitely mandatory for Lebanon. The 3RF also draws the necessary key reforms and actions to achieve the objectives of the first pillar through public financial management and public procurement; anti-corruption, integrity, and transparency; and justice and human rights.

Unfortunately, these actions are not new and they don't take into account the entrenched nature

of corruption in Lebanese culture. Most of these actions rely on the necessary adoption of laws of regulatory frameworks (Public procurement law, Public Investment Management, Courts of Accounts law, Independence of the judiciary, Electoral reform, Whistleblower protection law...). In a country where there is a will of change and where the judicial bodies are separated from political pressures, such measures have a high probability of being successful. The 3RF remains idealistic and inappropriate for the case of Lebanon where corruption is pervasive. Policies that have succeeded in some developed countries may not succeed in developing countries: it is necessary to understand that the concept of corruption cannot be defined aside from the characteristics of societies and the nature of the state.

Since the international community has no trust in Lebanese authorities, up to a point where donations have been channeled through non-state organizations after the Beirut Blast, it is unlikely that the 3RF will pave the way for good governance by listing measures supposed to be taken and implemented by the same untrustworthy State! This rationale is expected from international organizations who have to recommend a template of measures of how should the State behave, without really taking into consideration how the Lebanese society functions. The rest of the pillars suffer from the same caveats but decentralize responsibilities a little more to include more actions from citizens and civil society.

A first set of recommendations: The role of the State in the reform: Promoting sound policies to address the crisis and economic imbalances.

Anti-corruption policies require a commitment from the government to enhance accountability and transparency and to enforce laws and modernize the legal system. The development of anti-corruption measures starts by a reform by building the walls against widespread corruption in governmental institutions. Attributing a heavier role for the private sector needs to be accompanied by clearer reform plan, and better governance in various fields :

- ***REC#1: Limiting public deficit and monitoring public investment***

The Lebanese State needs to adjust the role of institutions in charge of monitoring and evaluating investment projects, through well-structured fiscal policies aiming at aligning public investment with good practices of implementing these projects. This implies the suppression of all special funds (South, displaced, CDR...) which drain the public budget without investing in the proper sectors. A Public Investment Management reference guide should be used in order to assess the project in projects management instead of the heavy public finance law process.

- ***REC#2: Implementing a coherent Public Procurement system in line with international standards***

The indicator for a change from within the public sector would be in strengthening the quality of public services through the reduction of red-tape, administrative transaction completion time, improvement of public officers – citizens relationship, implementation of Human resources management practices, and the implementation of a Management by objective approach (MBO) which is able to engage officers in public service. It's important to mention that The Lebanese Public Procurement Reform Strategy was approved on May 20, 2022 by the Council of ministers (decision no. 66). This strategy aims at reforming all needs in public procurement in line with international standards towards sound financial governance, economic recovery and restoring of trust. Nevertheless, these reforms should be diffused and applied in all public procedures in order to regain confidence among investors and provide funds to manage efficiently public services.

- ***REC#3: Limiting bureaucracy through the implementation of proactive transparency***

Proactive transparency requires the public administration to make relevant information available without waiting for citizens to ask for it. The implementation of proactive transparency requires from public administrations to diffuse relevant information without waiting for citizens to ask for the information.

Lebanese government must consider downsizing its public sector, with more than 300,000 employees currently working in public administrations, compared to 175,000 in 2000 in order to reduce bureaucracy. Moreover, Lebanese government must activate the role of inspectors and oversight bodies, to hold public sector administrators accountable for their duties. Increasing wages for civil servants giving them the incentive to abide by the rule – fostering integrity and boosting honesty between civil servants in the administration.

- ***REC#4: Ensuring the independence of Central Bank, yet ensuring better accountability***

Since the Central bank was responsible for plunging the country into an economic and financial crisis, The BDL should be alert to apply a recovery plan in alignment with the IMF recommendations in order to control the inflation rate, limit the devaluation, stabilize the purchase power and boost economic activity towards sustainable growth. Yet the BDL should abide by the Code of the Money and Credit, that leaves room for the control of the Government (through the Ministry of Finance), and thus both the ministry of Finance and the BDL remains by law accountable towards the Parliament.

- ***REC#5: Promote the anticorruption Law in the public sector (NO. 175) and activate the role of the national commission to combat corruption***

The development of anti-corruption measures starts by a reform of the judicial power by building the walls against widespread corruption in governmental institution. Lebanon needs to improve the quality of regulations and legal frameworks by making judicial system fully independent from the influence of both parliament and council of ministers. Meanwhile, ensuring the application of anti-corruption laws requires the foundation of specialized anti-corruption court, which meets the international judicial standards.

A second set of recommendations: Role of local government: Promoting local governance and implementing sustainable growth

- ***REC#6: Enhancing e-governance and pro-active transparency on a national and sub-national levels***

As part of restoring trust and credibility between government and the public, Lebanon should invest in advanced technology by carrying out “e-government” process. This measure increases collaboration between governments and citizens to develop action plans and enhance the quality of public services. Providing administrative “e-services” reinforces transparency and decrease opportunities to practice corruption. In this purpose the Lebanese government should set a national transparency program in order to monitor the country’s progress over time and develop a national framework on good governance with transparent procedures. In order to implement this

framework, the Lebanese government and local municipalities must modernize the infrastructure throughout the country to protect security of electronic services and information, promote ICT knowledge, and enhance access to public information.

- ***REC#7: Support local governance***

It is essential to improve local governance by according an important role to the local state (municipality level) in order to put in place sustainable development policies boosting economic activities in the country through job creation and the strengthening of social ties and social cohesion. If sound governance practices are implemented on the local level (and the experience of many pioneer municipalities to that regard is quite promising), they will diffuse to the national level.

- ***REC#8 : Enhancing the cooperation between local authorities and CSO***

In a context of crisis, the municipality can play a key role in economic, social and environmental policies. Hence the importance of local governance at the municipal level, which by its geographical and institutional proximity is the closest authority to citizens. Local governance is a process that involves the interaction between the different actors (State, private sector and civil society) in order to develop a common conscience to face various local problems (socio-economic and environmental) and to establish local public policies. Good local governance is based on the distribution of powers between organizational actors, coordination and good cooperation between governments (local and national), the private sector and civil society as well as the possibility of regulating conflicts of interest between its various stakeholders. Building on some successful experiences in Tripoli and Saida, coordination platforms between municipalities and local CSO should be implemented in major Lebanese cities, to improve the responsiveness of the local ecosystem when facing crisis, and to enhance the mutual trust between private and public partners.

Third set of recommendations: Role of Civil Society : Raising awareness and fostering activism among citizens

- ***REC#9 : Acting towards more recognition of the CSO's role in crisis management and prevention***

Government credibility in achieving governance should also incorporate social partners in the decision and implementation processes. The Beirut Blast experience has shown the dynamic part played by CSOs, CBOs, grassroots initiatives and stakeholders from civil society within the accountability process, and the promulgation of several calls-to-action. Even though CSO can not be considered as a substitute to the State, as usually implied by some local activists and grassroots organizations in Lebanon, their interventions could somehow compensate for state failures, therefore public policies can no longer disregard their presence and role. Thus, more efforts should be done in order to recognize their role in any emergency or recovery plan, as well as their role as full partners in crisis management or crisis prevention.

Moreover, the rule of law is not an exclusive monopoly of the State. Experience in Lebanon have shown that any constitution or political agreement cannot be implemented without a support from local authorities and citizens. Civil society have a great part to play in conveying political

decisions to citizens and in return to convey citizens claims to the State. A new social contract is to be built with these dynamic forces and with the same political factions in power.

- ***REC#10 : Abiding by the Grand bargain principles and values***

It's important to note that international organizations and donors must respect the international agreement of the "Grand Bargain". Referring to this agreement, international agencies and donors have committed with local and national respondents to bring more means and resources into the hand of local populations, in accordance with the principles of aid localization. In this respect, local organizations should enhance their commitment to the localization principles and values, therefore improving the transparency of their interventions, and assuming their role as "change agent". Therefore, State agency should be complemented by CSO agency, in order to create a successful ecosystem for future recovery plans.

It's good to mention that recent efforts have been made by non-governmental organizations in addressing corruption and consolidating the dialogue with government to get public access to information about public policies, and the budget allocated for all economic sectors. For example, Lebanese Transparency Association (LTA) launched a campaign to raise awareness about access to information, and delivered trainings for organizations to improve the effectiveness of their projects, which are dedicated to widen the sphere of transparency and accountability in Lebanese society. Such initiatives give a glance of hope in restructuring the country towards an accountable, transparent and credible government that builds trustful relationships with individuals and civil society assemblies, since they boost the efficiency of public policies aiming at investing in productive economic sectors, enhance credibility, and rebuild trust with civil society and citizens.

CONCLUSION

Citizens are the key in the success of any anti-corruption policy and good governance practices. They have an active part to play which starts by refusing to tolerate any unethical practices and dishonest behavior. In this spirit, Lebanon should foster activism of the citizens so all citizens will feel as part of the policies and will be engaged in a real dialogue.

Sanctions against the violation of rules are largely more efficient if they combine social and legal norms. If Lebanese citizens keep on admiring corrupt politicians and endorse corrupt practices, there is simply no way out.

Nevertheless, International organizations reports and recommendations do not take into account the social specificities of host countries. Anti-corruption policies are not a template that may be imported and implemented in the same fashion throughout the world. The orientalist approach to fight world problems will not succeed when it disregards the endemic nature of corruption. Tailor-made solutions for countries are the only solution. This is why an integrative, inclusive, wholesome approach is required in order to fight corruption which takes into account the added-value of all stakeholders : State, Civil society, International community and especially citizens.

What is needed is a cultural and social revolution in order to guarantee the success of good governance policies. The Lebanese citizens should be at the heart of any change. Education to good citizenship is important to raise awareness. A national consensus, which is not provided for now, is essential to win the fight against corruption. The root problem of Lebanon resides in its sectarianism. The country has been facing a series of financial and economic challenges, because of the confessional political system that produced a public sector riddled with high level of corruption. Therefore, Lebanese government should shift towards a new economic system oriented towards the investment in productive sectors, and promote values of integrity, transparency and accountability in public institutions; otherwise, public policies will never achieve their desired outcomes in tackling corruption, and rebuilding a productive and sustainably developed economy that offers wide opportunities of employment for its citizens. National consensus on eradicating the current confessional regime also requires serious commitment from members of Parliament and Government, to put an end for sectarianism inside public institutions and society in general.

The Beirut Blast and recent economic crises have shown that fighting corruption is the key in hindering crises. A participatory approach through democratic processes guarantees the success of administrative reform, decentralization and economic development. The State would not have the monopoly of the change process and would not be the only one to blame for any failure. Citizens should be given the chance to play a key role in the implementation of any policy, the development and execution of policies.

Facing desertion from the public sphere, the apathy and supposedly growing disenchantment of citizens with politics, governance presents itself as a key solution for erosion of social cohesion. Its implementation is likely to deal with citizens' lack of interest in public affairs by emphasizing the participation of civil society in decision-making.

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