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PRIVATIZATION:
IMPLICATIONS ON POLITICAL
CLIENTELISM IN LEBANON**

By

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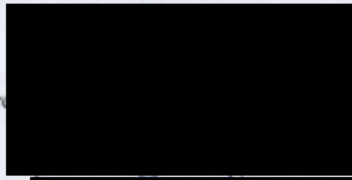
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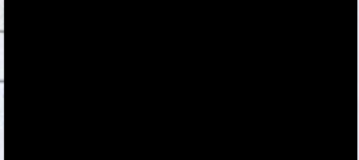
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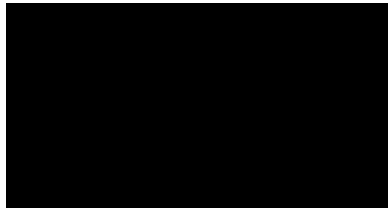
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Thesis / PRIVATIZATION: IMPLICATIONS ON POLITICAL CLIENTELISM IN LEBANON

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Abstract

This thesis examines the role of privatization in the reformation of the Lebanese confessional and clientelistic system. It provides a detailed assessment of the outcome of privatization reforms and its politics within the public sector. The assessment is completed through a series of case studies, in depth interviews, and expert panels with key stakeholders. The finding sheds light on the different responses by the confessional regime towards privatization drives as reflected by consecutive Lebanese governments. The thesis confirms liberal views that privatization may very well undermine public corruption and political clientelism. It asserts that the downsizing of the public sector away from the confessional domain of influence may very well prepare the ground for state-citizen as an alternative to state-confessional client relationship. This hypothesis is further examined through surveying the various political and sectarian affiliations of selected public sector employees in comparison to those employed by privatized initiatives such as OGERO and EDL. This thesis concludes with an assertion of liberal democratic views that suggest that, privatization may very well represent a major reform avenue for state transition toward deconfessionalization and as a means to undermining public clientelism in favor of public citizenship.

Keywords: Political Affiliation, Clientelism, Confessionalism, Corruption, Privatization

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CHAPTER ONE

PRIVATIZATION AND POLITICAL AFFILIATIONS IN LEBANON

1.1 Introduction

Privatization is a newly emerging concept in the economic policies of the Lebanese government after 1992. At the strict level, Privatization is a policy aimed at reducing the governmental intervention in the socio-economic life through the sale of a state-owned firms to the private sector (Boehm & Polanco, 2003). Many economists, political economists, and political scientists have written extensively about the subject discussing the different factors that underlines the privatization-efficiency relationship, showing that the rationale of the implementation of privatization requires political, administrative, legislative and dynamic Macro-economic factors. Some authors argue that privatization actually reduces corruption in an economy. For example, Savas (2000) states that "...privatization leads to less corruption because the government controls fewer resources", and Torres (2000) argues: "By privatizing, the space in which corruption may occur diminishes as the state's commercial involvement declines." Also, an empirical study by Clarke and Xu (2002) focusing on characteristics of bribe payers in the administrative sector recommends privatization as an implementing tool that reduces corruption and increases competition.

The concept of privatization has a serious implication due to its economic, financial, technical, social and most important, political ramifications. The Lebanese government, under the patronage of late Prime Minister Rafik Hariri, have opted for privatization in order to maximize consumer choice, promote competition, improve quality and efficiency of the goods and services provided by state owned enterprises (Soued, 2011) Most importantly, the political aim for privatization was to diminish the political affiliations of sectarian leaders and mobilize clientelism from the sect to the nation. –The weak relationship between citizens and the state had a negative impact on public accountability, separation of powers, the efficiency of public institutions and thereby weakened the integrity system of the country as a whole” (NIS, 2011). The Lebanese economy has been severely affected by the political and sectorial clientelistic meddling which has deteriorated the process of democratic governance and accountability of the state towards its citizens and weakened the regulatory framework of the Lebanese public administrations.

The Lebanese confessional state has been historically characterized by confessional clientelism, which has undermined modernization and kept the state divided among networks of sectarian patronage. According to analysts, the political-confessional formations have turned public institutions into inexhaustible reservoirs for their clients which has blocked Lebanon’s privatization/modernization plans (Khazzaka, 2003). Clientelism is defined as a bureaucratic arrangement based on –a complex of rules and practices for the organization, representation, and control of the demands and

interests of society; these relationships are based on political subordination in exchange for the discretionary granting of available public resources and services” (P.P. 13, Heredia, 1997).

Clientelism is very much inflicted by the political governing elite and the regulatory framework that characterizes their influence on the public sector, which means that political clientelism might also emerge with the implementation of privatization, even through enhancing the participatory democracy of citizenship (Garcia-Gaudilla, 2002). This paper will analyze some forms of clientelism that emerged and assess its effects on democracy to the political/ sectarian clientelism in the Lebanese administration sector.

According to an interview with Ziad Hayek (2011), “Privatization is the right solution for the chronic unemployment that the country has been facing, which has been one of the main elements in creating political clientelism in Lebanon”. The central argument of this paper is whether privatization can provide for economic stability, which in turn minimizes political affiliations and clientelism in the Lebanese political practice, and thus, will lead to a better democracy.

1.2 Confessionalism in Lebanon

In political science terminology, one of the most important factors required to evaluate the level of confessionalism is to assess the political influence of religious, or ethnic groups, on the decision making level in the government. Lebanon is considered as a house of many mansions where the political system has always been characterized by Confessionalism and favoritism – a specific type of consociational democracy organized along religious sectarian groups, which has been the main theme around which the Lebanese socio-economic society was shaped and formed. The multi-confessional social structure on which it is based produced an unstable system of governance and a deficient democracy. In brief, Lebanon's confessional state is characterized by the absence of equal opportunities, a lack of political and administrative accountability, and rigid political institutions (Krayem, 2010).

In order to evaluate confessionalism and clientelism in Lebanon, it is of utmost importance to review the literature of the political confessional struggle in the country and the extent to which it supports this research hypothesis. In Lebanon, confessionalism encapsulates all forms of public life which hinders any form of dynamism and reform in the public administration. Confessionalism is viewed as more than a mere system of political representation; rather it is a fundamental feature of the Lebanese society that is carefully holding sectarian tensions in hand.

The Lebanese political clientelistic system is based on distinct social cleavages which is determined by the balance of power among the different social strata of the Lebanese community, which identifies Lebanon as a confessional state associated with a shared balance-of-power between the various religious groups within the country that shapes the public attitudes towards the government (Jabbra and Jabbra, 2001). The Lebanese term of confessionalism depicts the mechanisms of conflict management and power balance in the political culture of the country, hinting at its deep rooted traditions of clientelism and clan politics (Reinkowski, 2006). Though unquestionably important, the analysis cannot begin and end with reform of Lebanon's confessional political institutions. The reality is that sectarian division exists and is spread throughout the many other formal and informal institutions that shape daily lives of the Lebanese citizens, mainly the public administrations.

1.3 Consociationalism in Lebanon

In 1943, the Lebanese National Pact, although intended as a political compromise between the various Lebanese sects, it was decisive for the internalization and externalization of confessionalism, and actually reaffirmed the communal consociationalism and consecrated the confessional formula as the power sharing arrangement between the various confessions within the state, which in practice shifted any form of alliance from the nation to the sect.

Socio - Politically speaking, Lebanon suffered from a highly fragmented society. The cleavage between Muslims and Christians was further complicated by the existence of sectarian subdivisions (Hudson, 1976). The National Pact of 1943 endorsed the required religious background for the country's top leadership, where there are 18 recognized religious groups, divided mainly among the Christian and Muslim religions. The Muslim community consists of various sects, including Sunni and Shiite, and smaller sects including Alawite and Druze. In the Christian community, there are also different sects, such as the orthodox Maronites, Protestants, and Catholics.

The system's malfunctioning resulted in Lebanon going and coming out from the civil war confirming its peculiar confessional system by reconsidering the basis of the power-sharing system through establishing a new "National Pact" that was signed in the Saudi Arabian town of Ta'if in 1989. The Ta'if Agreement basically reshaped the balance of power between the major Lebanese confessional communities (Maila, 1992). The new political pact was a sectarian provision agreement essentially institutionalizing the power sharing arrangements among the same confessional groups that had first established the consociational system. Thus, instead of promoting a national identity, it created a confederation of protected identity groups and administrative inefficiency, both in decision making and implementation (Hudson, 1997), which meant creating state of political and socio-economic underdevelopment where confessionalism is reproduced and further institutionalized.

This status quo has compelled individuals to identify with their sectarian identity as a precondition for eligibility in public administration, which in turn enforces the concept of clientelism and patronage that depends on the sponsorship of confessional leaders and constitutes a strong reality of the Lebanese scenario. This inevitable fact has consolidated the cliental sectarian loyalty and undermined the national loyalty in the country, which in turn has impaired the efficiency of the state administration and weakened its credibility (Salam 1987) through the emergence of favoritism, and that favoritism in Lebanon, although it has the potentiality to emerge in a non-sectarian context, can only represent the context of sectarian clientelism.

1.4 Clientelism in Lebanon

Historian Richard Graham characterized clientelism as an action-set built upon the principle of “take there, give here”, enabling clients and patrons to benefit from each other’s support as they play in parallel, but different levels of political, social and administrative articulation (Graham, 1997).

In practice, Clientelism is determined in accordance to its level of implementation among the society, where it is highly recognized when the common interests of people belonging to different categories of the social strata meets.i.e, when the patron identifies and provides for the needs of his clientele in reference to their sectarian and confessional commitment and not based on professional merits

(Majcherkiewicz, 2005). It is thus very crucial to identify the basis of these confessional clientelistic linkages among a society as a strict sense of personal and sectarian loyalty towards the patron, which is usually implemented as a voluntary exchange of resources among the different hierarchal groups of the society (Zuckerman A. 1977; Gellner E. 1977; Eisenstadt S. N.; Lemarchand R. 1981).

Clientelism decreases moral standards, it facilitates corruption and control over the state by networks of politicians, public administration officials, and sometimes businessmen. These types of practices lead to a demoralization of the political elite who focus on partisan interests, overlooking public ones. In the case of their administrative counterparts, the personal interest is achieved by state exploitation.

The Lebanese political life has been demoralized by the corrupted political elites who shifted their focus from building a nation, to the establishment of a monarchy overlooking the public interests and enhancing state exploitation. This corruption at the political level has affected the citizen – state relationship and undermined the notion of a Lebanese identity, which has labeled it as form of a religious collective identity, “where the sect, and not class, has been salient as the basis for political clientelism” (p.p. 63, Ajami 1986). The client's bond in the Lebanese system is based on the personal loyalty to the politician, or the party and not on national shared interest or collective identity. In this case, members of a political party share a common ethnic identity as well as common goals. This identifies the connection between a weak state, the sectarian structures, and a confessional political system that adorns the patron - client relationship

which is deeply embedded within the society. —Michael Johnson, one of the few who have studied the clientelistic structures in Lebanon, also explains that for the political leader to be able to attract his clientele, Clientelism, in the form of providing for example jobs, money and favors, was and remains important” (p.p. 67, Ajami 1986) . The political power possessed over the years by the Lebanese political / sectarian groups has diminished the power of the central government, where politicians have traded social services with their clients’ utmost loyalty and political support, thus strengthening the notion of confessionalism and clientelism, while weakening the notion of national identity (Najem, 2000).

Clientelism has been vivid material for political researchers, especially in trying to identify its effects and how it should be seen. Many agree that clientelism leads to overstaffing of the public administrations where qualification is not the basis for employment, rather it is the simply the mere fact of relationship between the Patron and the Client. —Other researchers stress pragmatic aspects, meaning that Clientelism obtains transactional benefits, allocates resources and creates local-regional-national relations. While Robert Putnam regards Clientelism as the result of a lack of Civil Society, other scholars reject this argument; instead of contrasting Clientelism to Civil Society, they see it as a strategy that in some cases originates in civil society” (p.p. 97, Roniger, 2004)

In Lebanon, the widely prevalent informal systems of clientelism is a key contributor to fostering corruption, distorting the delivery of public services and establishing a clientelistic network that is both difficult to detect and to remove.

Lebanon's clientelism has created a "complicated network of brokers and clients" (p.p. 112, Roniger, 1994), which have infiltrated the Lebanese administrative system. Thus, Lebanese politicians have provided clients with government services which distorted loyalty to obligatory confessionality which resulted in hindering the efficiency of the Lebanese institutions in performing their functions in principle (Lebanon Country Report, 2010). This has crippled the legislative and reform initiatives of the government and undermined the power of the state. Yet, although Clientelism and corruption may exist side by side; however, as will become clear through this paper, clientelism implies the model in which public resources are distributed "personalistically" to private individuals or private groups in exchange for political support.

1.5 Corruption in Lebanon

In Lebanon, there is an evident and clear relationship between the politician as a patron and the civil servant as a client. Throughout its history, the Lebanese Administrative boundaries were always vague, which has created a national distrust of the government's actions, policies and its decision making. The state became owned by political elites who claimed state resources as their own, which entitled them to produce entrenched networks of patronage that encompassed a sectarian clientelism formula which produced corruption at the social, organizational, political, structural and administrative levels (Kibranian, 2009).

It is globally agreed upon that sectarian clientelism and favoritism represented by recruiting people in the administrative level based on their clientelistic patronage leads to corruption, which in turn affects the economic growth and efficiency of both the public and private. As a result, a national reform campaign was undertaken by Hariri aimed at streamlining the bureaucracy in the state administration through eliminating corruption and sectarian affiliations in most public sector appointments, reforming the laws and increasing transparency, which will be stimulated by private sector investments in the Lebanese economy (Safa, 2002). But Hariri was faced with a gridlock of sectarian consociationalism, where even the presumed liberal consensus fell victim to its debilitating effects to the extent that policies usually associated with neo-liberal ideology, such as privatization, failed to materialize because Lebanon's political system could not produce agreement on how – and in whose favor – these pro-market measures were to be pursued” (p.p. 5, Leenders, 2006). In other words, the entricated network of political clientelism in the country has severely hindered the decisions of the government and posed tough restrictions on the economic freedoms that Hariri was looking for, namely privatization.

1.5.1 Facts and Figures

According to the Corruption Perception Index 2010, in which the notion of corruption of the governmental public employees which affects private investments in the country is measured, Lebanon ranks 127th on the International Scale of 187. According to the National Indicative Strategy: Lebanon ranked 102nd out of 180

countries (11th out of 20 countries ranked in the Arab region) on the 2008 Corruption Perceptions Index (CPI), and scored of 3 out of 10. Lebanon has also fared badly on other indices that measure transparency, accountability, access to information and other anti-corruption mechanisms. For example for 2006 and 2007 Lebanon's overall rating on TI's Global Integrity Index was ~~very~~ "very weak". In 2007 Lebanon scored 45 out of 100, a poor score, based on the weaknesses of the institutions reviewed. On the 2008 Open Budget Index (OBI) that measures transparency in the national budget process, Lebanon scored 32 per cent. Finally, on the World Bank's Worldwide Governance Indicators, published in July 2009, Lebanon received scores that clearly highlight increased corruption in the country. Lebanon is ranked 146th out of 212 countries in terms of government efficacy, 202nd in terms of political stability, 108th in terms of voice and accountability, and 167th in terms of corruption control, which is believed to be the report's most perturbing data". (NIS, 2009)

This level of corruption in the country, mainly endorsed by the public administration of the government, not only suffocated the dynamism of Lebanon's private sector, but burdened the entire national economy. According to Makdisi: "The virtues of Lebanese economic liberalism, came to be overshadowed by, first, the massive destruction of material and human capital during the war and, more importantly, in the 1990's, by an expanding regulatory and interventionist role of the government unmatched by improved institutional capacities to meet the state's expanding tasks" (p.p. 129, Makdisi, 2004).

1.6 Aims and Structure of this Study

The objectives of this process is to assess in detail the phenomenon of interest in practice, using OGERO as a detailed case study through in depth interviews with relevant stakeholders. It will analyze whether the practices and measures towards privatization that were taken by the consecutive Lebanese Governments have maintained the relationship between privatization and the establishment of the citizenship away from clientelism and political / sectarian affiliations.

The following questions will be explored: Will privatization help undermine confessional clientelism? Is the confessional system implicitly helping the institutionalization of clientelism? The third question relates to what should be the impact of privatization on the objective of diminishing political affiliations and sectarian clientelism? And, finally, will privatization create a new form of clientelism in a country like Lebanon?

The data used will be utilized from different sources and newspapers. For the understanding of opinions and practices, interviews will be conducted with economists, and the technocratic/bureaucratic personnel in decision-making position. Additionally, in order to understand the concept of privatization and link it to political clientelism and affiliation, the thesis will provide a background of confessionalism in Lebanon, its chronic crises, confessional struggle for the state, the undermined realization of a functional and strong government system, social and political insecurity among the

Lebanese citizens forcing sectarian groups to rely on their own social and security networks (Hudson, 1968). This thesis will describe corruption in the Lebanese public administration and the rise of Hariri, and his vision of a modern Lebanon. The thesis's hypothesis and expectations are established through introducing the various theories of political clientelism, confessional clientelism, and how this has undermined the formation of a unified state and citizenry, the Hariri background and his liberal views toward the state and the vision of privatization as a way to abolish confessional clientelism, and the threat of the rise of other forms of clientelism under privatization. This thesis will discuss briefly the opposition of Hariri movement faced in terms of privatization. Various privatization efforts that were undertaken by the various governments following the end of the war such as EDL Zahle, and the various Paris agreements are introduced. The Thesis will provide description of OGERO as a privatized organization, compare services and achievements. The research methodology and data collection are established in-order to examine the impact of privatization and how it limited confessionalism. This thesis will provide a description of Public ministries, corruption, and poor services and link it with political association and cliental relationship. Data collection will establish the methodology which examines and compares public vs. privatized clientelism attitudes, through targeted interviews to be conducted. The thesis will give a conclusion of whether privatization is a way forward to end confessional clientelism, a partial measure to be taken, or is self-defeating, in addition to conclusionary remarks.

CHAPTER TWO

CONTENDING THEORIES OF PRIVATIZATION IN COMBATING PUBLIC CORRUPTION

"Lebanon is the oasis of the Middle East, as it boasts freedom and culture. I want to privatize, I want to make of Lebanon a trade and re-export center, with an airport which can become the 'hub' of the region, as well as a telecommunications and information technology center," Hariri said. (Mallet, 2000)

In the Lebanese political system, the citizen-politician relationship is based on direct material exchange of favors and the willingness to submit one's vote for the right price. Democratic accountability in such a system does not result primarily from politicians' success in delivering collective goods, nor does it rest on improving overall distributive outcomes along the lines favored by broad categories of citizens (e.g., income and asset redistribution through taxes and social benefit schemes); ~~Instead,~~ clientelistic accountability represents a transaction, the direct exchange of a citizen's vote in return for direct payments or continuing access to employment, goods and services" (p.p. 39, Kitschelt and Wilkinson 2007).

The Government of Lebanon, envisaged a privatization program motivated primarily by a desire to improve the efficiency of the companies and assets involved, to reduce operating losses, and to utilize the anticipated proceeds from privatization to reduce the national debt. The Lebanese Government worked on establishing a competitive business environment aimed to drive incentives for privatization, which was deemed to remunerate around \$5(US) billion in privatization profits over a five-year period (World Bank, 2000).

2.1 Hypothesis

This paper establishes the hypothesis that clientelism negatively affects government accountability in terms of public administration appointments by imposing a significant direct costs, on both entrepreneurs and ordinary citizens. The inefficiency of clientelistic approaches of appointments, corruption and lack of accountability have been a major constituent in the Lebanese literature on patronage and corruption, suggesting that clientelism implies a reduction in governmental accountability, which reduces pressure on the government to provide public goods.

The failure of the public institutions to provide goods, services and values, allowed the Lebanese politicians to identify the needs of their clientele and define the sources of enhancing clientelistic practices of sectarian clientelism and affiliation. These

practices are often a product of the Lebanese political elites' deliberate strategies to foster clientelistic types of linkages between themselves and society.

How can one empirically test for the presence of significant clientelism in the Lebanese society? According to an interview with Krayem: "Clientelism is a significant phenomenon in the Lebanese society, the public uses employment as a vehicle to the reinforcement and reproduction of clientelism without any regard, standard measures of the government accountability in service provision needs to be redesigned. The costs of clientelism are subtler, and more difficult to detect. This paper will identify clientelistic approaches in the public administration and identifies whether privatization can be used as a tool to fight sectarian clientelism and corruption, which in turn will decrease the need for citizens to engage in clientelistic practices and the ability for political elites to use them.

2.2 Theoretical analysis

Clientelism refers to strategic transfers made by political parties and governments to poor and disadvantaged groups as a means of securing their votes, in an effort to consolidate political power; they are usually implemented to benefit narrow subsets of intended beneficiary groups.

Anthropological studies of clientelism originated with studies of peasant communities (e.g., Mintz and Wolf 1950; Pitt-Rivers 1954; Wolf 1956). These studies on political clientelism have highlighted the cliental link between the Patron and his followers. It is of utmost importance to understand how the patron obtains and maintains his patronage, and how this affects state building. Therefore, clientelism must be viewed as a causation as to how it affects the society on the macro, as well as micro-economic levels, creating an inter-locking pyramid of personal exchanges (Komito, 1985).

Robinson and Verdier (2003) provide a theory of clientelism, wherein the two-sided problems of enforcement explain why redistribution often takes the form of public sector employment rather than income transfers or public goods; they argue, “a job is a credible, selective and reversible method of redistribution which ties the continuation utility of a voter to the political success of a political politician”. Even if individual votes are unobservable, this renders the clientelistic exchange incentive compatible.

There is a debate in the literature as to whether political clientelism is best understood as a set of short-term transactions that occur at election time (Brusco, 2004), or as more permanent ‘problem-solving’ networks that connect the poor to political authority through norms of vertical reciprocity and remain active throughout the electoral cycle (Gay, 2006). It is evident from the theoretical analysis that the distinction has consequences for the stability of clientelism and its distributive value. It is important to distinguish between different private good programs, according to the way they are valued by elites and non-elites. Clientelism would tend to be marked by transfers of

'inferior' consumption goods such as access to employment. However, all views concur in describing clientelism as a set of relationships through which targeted material benefits and political loyalties are exchanged.

2.3 Lebanese Governments & Corruption

It would be naive to assume that corruption in Lebanon existed as a postwar phenomenon; these concepts have been tied together with the public administration as a direct result of Lebanese political practice for several decades. The lack of adequate management in the public administration helped in legitimizing bribery governed by the confessional sectarian politicians. In Lebanon, all three internationally recognized types of corruption are widespread — 'Grand Corruption' among the public sector's elite, 'Parochial Corruption' stemming from the nepotistic tendencies of the political hierarchy and 'Petty Corruption' committed by low-income employees, more often than not, for survival purposes (Information International, 2001).

Since independence, the Lebanese successive presidential administrations have been working on identifying the adequate reform strategy that will serve its purpose in an intricately clientele woven society, namely that of president Bishara El-Khoury (1943-1952), President Camille Shamoun (1952-1958), President Fouad Shehab (1958-1964), President Charles Helou (1964-1970), President Suleiman Franjeh (1970-1976), and President Elias Hrawi (1989-1998) (Safa, 1999).

President El-Khoury established the Court of Accounts in 1950 (amended in 1983), which is an administrative court that supervises public money and the money deposited in the Treasury. It is also responsible for overseeing the spending of public money and its conformity with laws and regulations. President Shehab encouraged an encompassing administrative, and an economic and social plan through establishing a central authority for administrative reform and outlined clear objectives for reforming administrative transactions, methods of execution, and supervision. In 1959, the Council of Civil Service and the Central Inspection Bureau were established accompanied by a new law regulating employment and subsequent retirement. Also, during the Shehab administration, the Ministry of Administrative Reform was established. Shehab's reform plan focused on modernizing the administration and supporting it with new laws and regulations to respond to the requirements of the time. Too many bureaus and offices as well as unqualified personnel remained the main hindrance for effective and comprehensive reforms and stood in the way of a clear cut success. Under the administration of President Elias Hrawi (1989-1998) a major reform campaign was perceived to be off to a good start with the government of late Prime Minister Rafik Hariri at the helm of the executive. The campaign focused, once again, on purging the administration and replacing outgoing employees with ones from outside the civil service. However, the 1993 reform campaign fizzled and came to a grinding halt for several political and peripheral factors" (p.p. 1-3, Safa, 1999).

The Hariri government, as all government in Lebanon, included a significant number of former confessional warlords who curried clientelistic favors to their followers and committed numerous irregularities, which in turn emphasized the corruption in the public administration and lead to its failure over the years.

Reforming the Lebanese public system was a main issue concerning all consecutive governments, according to Hariri: ~~the~~ objectives of the reforms are three-fold: (1) to facilitate and encourage international trade in the context of integrating Lebanon with the global economy, (2) to facilitate the environment for the private sector to develop, thrive, and contribute to the national economy's sustainable growth, and (3) to provide further incentives for the private sector through decreasing costs of production” (Hariri, 2001).

Hariri was keen on implementing liberalization and global integration through reforming the automation process for the creation of a modern administration that is able to improve services, to have consistency, sustainability, have a clear vision and leadership (Azour, 2008). Once all these factors are established, the Lebanese government will be able to integrate modernization in its functioning and its decision-making process.

Hariri had a clear vision of a man, who is said to be a reformer and a liberal, believing in model governance through building institutions where the people are the key factors for success. According to Azour, ~~Hariri~~ believed that privatization will

create new jobs. Privatization will give new growth dimensions to the Lebanese economy. Privatization will improve the quality of services. Privatization will reduce corruption, because it will reduce all kinds of interaction between the public and private sector. Privatization will improve the quality of services delivered to citizens. Privatization will reduce confessionism, because people will be grouped according to their merits and not their affiliations or allegiances. The challenge was to communicate to the people why privatization is very important to them –not only to Paris III, to the treasury, or the government– but to their own interests” (Azour, 2008).

The predominance of the power sharing formula that has been governed by confessionism has affected the outputs of the government and made its decisions vulnerable to corruption and clientelism. The public administration has been reckoned by the political elites as the utmost source of services delivery, neglecting the quality of the services provided to the citizens, thus leading to an unstable financial and socio-economic system.

The objective was to formulate a reform process structured to change the way the government is functioning when it comes to reforming implementation mainly through abolishing sectarian affiliations in the public administrations by combating excessive personalism, clientelism, and corruption in order to make the execution of public policy more universal and to provide a more professional and meritocratic basis for public sector employment.

On the anti-Haririst side, and according to Charbel Nahas: “Hariri’s strategy of shielding institutions took various forms from privatization to political control. Most of these mechanisms violated the good governance agenda, often deploying corruption or illegal means to secure the political pre-conditions of efficiency. One of these mechanisms was the placement of allies in key positions of strategic institutions, often receiving salaries from Hariri himself. This resulted in various combinations of Hariri’s apparatuses sometimes superimposed on the state, sometimes replacing it” (p.p. 38 Nahas, 2006), rejecting any haphazard privatization, and warned that he would oppose any attempt to transfer the Lebanese administration from a public monopoly into a private one.

Also, Paul Starr in his published articles points out that privatization is a fuzzy concept that evokes sharp political reactions with unambiguous political origins and objectives which open the door to a new form of clientelism within the private sector itself. “Starr believes there is a role for privatization, but its various forms must be carefully considered, as there is no single remedy for the government's problems” (Starr, 1987).

The important question is whether clientelism can adapt through privatization in order to persist? According to Nahas, clientelism in Lebanon is more than just the exchange of votes and support for money, jobs and services. It is working in networks, where the political/sectarian elites and clients form part of a group, possessing a common collective identity where loyalty is being expected from its members, whether

they are working in a private, or a public administration, which in turn will allow clientelism to re-emerge in new form, but with the same context. Such a situation presents further challenges to newly-privatized enterprises, thereby enforcing the same problems that privatization is supposed to mitigate.

2.4 Understanding Privatization

Privatization can be defined in several ways. At the broadest level, it refers to the introduction of market forces in the economy, and incrementally placing key decisions about resource use and disposition under non-governmental control. At a strict level, privatization is the process of transferring a public sector asset, or service, to the private sector. There are several types of privatization depending on the method of transferring the public asset (Pirie, 1988).

Although the principal objective of privatization is the enhancement of the private sector's influence and impact on the economy, the state's role does not disappear. And what is relinquished may be the easiest part of the whole job, the doing. The conceiving, planning, goal-setting, standard-setting, performance monitoring, evaluating, and correcting all remain with the government. If these are done poorly, the public interest suffers, and so, usually so does the private sector. This is why privatization is not panacea for government incompetence (Sundquist, 1984).

2.5 Lebanon's Privatization Efforts

Compared to neighboring Arab countries, Lebanon has a strong private sector. Indeed, since its independence in 1943, Lebanon has adopted a liberal economic policy based on laissez-faire principles, which gave a lot of freedom to the private sector in developing its capabilities. Compared to the private sector, the performance of the public sector showed deterioration in its performance due to the civil unrest, lack of clear governmental economic and financial policies, and the lack of government supervision on administrative reforms (Jamali, 2004). The Lebanese government considered restructuring and reforming the public enterprises as a key factor towards empowering the public sector, through identifying operational, sectarian, institutional, and clientelistic problems. As a result, Privatization was proposed as a solution to identify needed technical and managerial expertise, through securing capital injections and greater efficiency.

In Lebanon, clientelism is deeply embedded in both the social and political institutions and has proven to be a source of strong continuity in the face of attempted economic and political reforms. The privatization law has been enacted in June 2002 aiming at generating revenues to serve the public dept. The government prioritized privatization in the following sectors: telecommunications, electricity, water, gas exploration and the ports. Despite the Government's commitment to donor countries at the Paris II conference in November 2002 to move forward on privatization and securitization, the Government has not been able to initiate privatization as a result of

internal political struggles. Observers of Lebanese politics and development regularly blame clientelism for economic stagnation, high levels of inequality, and mainly the ineffectiveness of the public sector.

—In theory, it is argued that privatization often causes a move towards performance-based schemes where wages are closely linked to productivity. This framework is itself an incentive mechanism that ultimately leads to a more efficient production process and higher wages”(p.p. 6, Ghaleb, 2001). Thus, it became important to administer a confidence-building measure in terms of cutting unnecessary public spending of the government and identifying economic measures and policies to rise up with the Lebanese economy.

Paris II stipulated that Hariri believed that it is very important to have the political will in order to rise in the Lebanese economy mainly through fighting clientelistic approaches within the administrative system through Privatization (Paris II). As a result, the Lebanese law makers have passed the general privatization law 228 in the year 2000, and then went further on by ratifying law number 431 and law number 462, which set up for the privatization of the telecommunication and electricity sectors on a respective basis.

According to Bouldoukian, —Privatization in Lebanon means profitability, efficiency, the promotion of individual initiative and the end of a society living by state assistance and subsidies, the elimination of waste and the cleaning of cobwebs, as well

as, the eradication of parasites and viruses living in the civil society” (Bouldoukian, 1989). Clearly, this implies that decisions in privatization are made on business criteria rather than confessional and political clientelistic aspects, seeking new opportunities and profit maximization.

The Government of Lebanon has included privatization as a major component of its overall economic reform program, presented at the Paris III Conference. Lebanon’s experience in privatization, or semi – privatization is quite a modest one. Two of the few benchmark cases in Lebanon are in EDL Zahle, and the case of OGERO. Hariri, being a sponsor of privatization, thought that the public administrations will be higher in efficiency under private sector management than that of state run enterprises.

Riad Bahsoun, telecom expert identified by the media as a contender for telecom minister, estimates that “because best practices have not been followed in Lebanon, some 12,000 potential jobs have been lost and between \$10 billion to \$12 billion in revenue squandered. We lost money, we lost chances, we lost jobs and we lost our dignity,” said Bahsoun. Since the dawn of the last decade, Lebanon has been establishing appropriate infrastructure and legal framework to embark in privatization; in spite of the major developments Lebanon it has achieved on the privatization platform front, and notwithstanding the recurrent international calls by international agencies and the Paris II and III committees. Yet, Lebanon’s fractious confessionalism and the political interference have impeded the government from accomplishing.

2.6 Legal Framework of Privatization in Lebanon

As mentioned earlier, the Lebanese parliament ratified during the first tier of the year 2000 law number 228 which regulates the privatization process and specifies its scope of implementation. The law was divided into two main sections with the first one noticing the establishment of the Higher Council of Privatization ~~“HCP”~~ and organizing its scope of work, and the second one identifying the privatization procedures. More particularly, the first section pointed out to the establishment of the Higher Council of Privatization headed by the President of the Council of Ministers and composed of the Minister of Justice, the Minister of Finance, the Minister of Economy and Trade, and finally, the Minister of Labor, in addition to the concerned sector’s minister. Law number 228 entrusted the HCP with preparing the general privatization policy and the means to implement it and then submitting it to the Council of Ministers for approval, and evaluating the concerned public sector enterprises in accordance with internationally approved financial and economic standards in addition to preparing the ~~“productive~~ budget” of the privatized projects and submitting it to the Council of Ministers.

On the other hand, the second section of law number 228 stipulated that the privatization process should adhere to preserving the best interests of consumers with regards to the quality of rendered services in addition to the pricing of said services. The aim is to protect the rights of national labor operating in the public enterprises to be privatized, and safeguarding public funds through adequately reflecting the fair market

value of state owned enterprises/projects in accordance with international financial and economic standards.

It is worth noting in this perspective that subsequent to ratifying law number 228, the Lebanese parliament passed laws number 431 (23/7/2002) and 462 (5/9/2002) which were concerned with the privatization of the telecommunication and electricity sectors respectively. In brief, electricity law number 462 proposed the unbundling of EDL into three different companies concerned with the production, transmission and distribution of electricity. The transmission function shall be retained by the government while production and distribution companies shall float up to 40% of their shares on the stock market in a form of share issue privatization. In a similar fashion, law number 431 calls for the establishment of Liban Telecom s.a.l., which replaces the two existing mobile phone networks, and privatizing it through a share issue privatization. On the other hand, willing investors in the mobile licenses will be required to purchase the assets of the mobile companies through an asset sale privatization.

2.7 Obstacles to Implementing Privatization in Lebanon

As outlined previously, privatization in Lebanon remains constrained by the fragile political situation. The year 2005 witnessed the assassination of Mr. Rafik Hariri which was followed by political squabbling, the withdrawal of the Syrian troops and a series of political assassinations. In July 2006, Israel launched an atrocious war on

Lebanon which lasted for 33 days, inflicting hundreds of casualties as well as hundreds of millions of dollars (\$3.6 billion) in direct damages in infrastructure (CIA World Factbook, 2008). In 2008, political tensions continued to escalate, peaking during military clashes in May 2008. All of this contributed to stalling the privatization process, as the intense political situation would have undoubtedly led to deterring some foreign investors and to the undervaluation of the privatized enterprises when accounting for political risk. Also, the year of 2008 was earmarked by the start of the global financial crisis that plagued several international banking systems across the globe and stirred a wave of bankruptcy filings. This has dragged global equity and commodity markets in a precipitous slide and pushed major world economies into recessionary periods despite several global multi-billion dollar bailout plans. This has led to a drain in global FDI inflows which slid from \$2,100 billion in 2007 to \$1,744 billion in 2008, \$1,185 billion in 2009 and 1,244 billion in 2010. Accordingly, the then Minister of Telecommunications, Mr. Gebran Bassil, ruled out the privatization of the sector notwithstanding the relative political stability prevailing back then, as the sector would have been privatized at far below its intrinsic value, which would have deprived the Lebanese budget of significant inflows. This move was echoed on a worldwide basis with worldwide revenues from privatization contracting to around \$110.88 billion in the year 2008 down from some \$140 billion in the year 2007 (UNCTAD, 2010). One of the most important reasons that kept privatization at status quo is the different stances of various political parties vis-à-vis the privatization concept, with said stances ranging from calling for the imminent privatization of telecommunication and electricity sectors, to implementing reforms on said sectors prior to launching privatization with the

objective of boosting intrinsic value, keeping in mind that some political parties oppose the privatization concept completely.

2.8 PARIS Agreements

Sometimes it is easy to forget how impressive the transformation was that Hariri led in previous years; despite the challenges, decades of foreign intervention in the sectarian-based political system, together with irrelevant public policies, shocks, and the political and security turbulence Lebanon has suffered. It is also easy to forget that the high growth and strong financial sector performance that Lebanon is enjoying today is largely a result of the reform track initiated when Prime Minister Rafic Hariri re-assumed office in late 2000, and which was boosted by the Paris I and Paris II Conferences, then later, the Paris III Conference. (Soueid, 2010)

Among the various forms of covenants pledged to international donors by the Lebanese government during the Paris I, II, and III aid conventions, privatization of certain public sector assets amassed international attention and was a pre-requisite condition for the disbursement of foreign aid. More specifically, and in 2001, the Higher Council for Privatization (HCP) was established through the adoption of privatization law 228 dated May 2000.

The HCP is the authority in charge of planning and implementing privatization programs for the government's assets, namely *Électricité Du Liban* (EDL), *Société des*

Eaux de Beyrouth and other water companies, the Beirut International Airport and Lebanese ports (Port of Beirut, Tripoli Port...), the landline and the two mobile networks. The government; however, has focused in its privatization program on both the telecommunication and power sectors, being considered as the government's largest assets.

Privatization aims, in the first place, at reducing the government's stock of debt and fiscal deficit and helps promote the country's capital markets, and this according to the Paris II "Request for International Support" report dated November 2002. Subsequently to the Paris III convention dated January 2007, the government appointed the members of the Telecommunications Regulatory Authority ("TRA"), which launched operations in March 2007. The TRA is an independent government agency in charge of liberalizing, regulating and developing telecommunications in Lebanon through encouraging competition and transparency.

Both Hariri and Siniora elaborated upon an economic reform plan presented throughout the Paris I, II and III conferences which was designed to stimulate growth, create employment, reduce poverty and maintain social and economic stability. Thus, privatization was seen as a necessary element to increase investment, reduce public debt, and spur economic growth. Hariri's main aim was to stimulate and develop the economy, through streamlining the tax system, ensuring the structural improvement of general public finances, and preserving monetary and financial stability. Hariri believed that in-order to endeavor to alleviate the burden of the public debt and to reverse the

macroeconomic and fiscal imbalances of the Lebanese economy, a structural reform of the various administrations and institutions was necessary to boost productivity of the public sector and improve competitiveness, which in turn will stimulate economic growth and enhance the investment climate (PARIS I & II working papers).

But four years after Paris III was held, the two most important and relevant reforms for economic growth remain largely un-tackled: i.e. the power and telecommunications sectors. These are the same two reforms that were unfulfilled from Paris II, leaving a serious concern over whether the government bit off more than what the political system in Lebanon allows it to chew. The situation was aggravated by the Lebanese government's failure to implement administrative reforms, especially the privatization program demanded by the 2002 Paris II donors' conference, and by shelving attempts to reverse the current political and social status quo, which has so far been characterized by corruption, red tape, nepotism and clientelism, which are common in the hiring and appointment of public officials and incompetence.

CHAPTER THREE

PUBLIC SECTOR: CHALLENGES AND OPPORTUNITIES

The objective of privatization is to foster economic development and reverse the debt dynamics. The privatization process will be conducted using the best-practice guidelines and international experience, ensuring competition and an equitable participation of the public at large. (Hariri, 2001)

The Lebanese state-owned enterprises have a long history of poor performance which is clearly due to the structural weaknesses that were identified as responsible for the poor performance and the decline of the economy; thus, privatization became a key component of the Lebanese economic reform. According to economic researchers, privatization has multiple objectives which include fiscal objectives, attracting investment, placing importance on corporate efficiency and performance, the introduction of competition and also, capital market development (Economic Bulletin, 2007).

3.1 Lebanese Public Administrations

The civil service has an impact in developing societies, which can be achieved through monitoring, accountability and modernization of the public sector. Hariri's determination on reforming the public sector through the appointment of a Minister devoted to administrative reform was a clear sign of commitment to the issue. It was evident that in order to stimulate investments in the economy, eliminating corruption in the public administration was a major issue to deal with and was done so through streamlining the laws, increasing transparency and building an efficient public administration based on service driven motivations (Antoun, 2005).

In Lebanon, the public sector provided a secure source of employment for clientele by providing a steady and predictable income. Applicants are still keen to join the government because of the prestige and security of tenure that a civil service job guarantees. This, in addition to the absence of an adequate mechanism of monitoring of the public civil servants, has contributed to the development of a general attitude of negligence and the spread of corruption. (Kisirwani, 2000).

Hariri's aim to build a modern state was blocked by a highly politicized and corrupted public administration that failed to catch up with the international modernization developments due to long years of civil war. Militia members demanded high official positions at the Lebanese public institutions, and awkwardly enough were

assigned to them; which clearly showed that political affiliation and confessional nepotism rather than merit and capabilities were the main criteria of employment. —The result was a corrupted public administration overstaffed with more than 180,000 employees, many of which are not needed; thus, turning the administration into a recruitment office for the unemployed” (Antoun, 2005). Statistics for the Reform and Development Strategy done by OMSAR in 2001 shows that —It is estimated that 10,000 positions out of a total of 22,000 are vacant in the public administration. The many temporary and daily workers, in particular, who are mostly not recruited according to merit standards, are often of very poor quality and find themselves employed in the lower ranks of the civil service. There are many indications that there is significant overstaffing in those ranks and of a weakening of the role of merit in matters of recruitment, mobility and staff careers”.

Many factors contribute to a 'folklore of corruption' in Lebanon. —Hardly any public official in Lebanon is unaware of his rights, duties, obligations and the limitations imposed, yet employees' indulgence in offences and violations is phenomenal. Past and current studies show that Lebanese public officials are guilty of the three major categories of corruption; nonfeasance, malfeasance and misfeasance. The first is failing to perform a required duty, the second committing an act which is positively unlawful, and the third is improperly performing an act which one may properly do” (Gardner, 1967).

3.2 Public Sector Employment

The Lebanese public sector employment is regulated by the 112/59 and 114/59 legislative Decree and the Lebanese Constitution where Article 12 states that “every Lebanese has the right to hold public office, and that access to such positions is always made on the basis on merit and competence”. Deriving from this and in order to improve the performance of the public sector, the Civil Service Board (CSB) was established to manage administrative matters related to the public civil servants such as contracting, employment, promotion, compensation, transfer, discharge, training, and performance improvement (Strategy for the Reform and Development, 2001). Yet, the absence of a comprehensive recruitment policy that addresses the needs and priorities of the civil servants in the public administration weakened the ability of the government to recruit highly professional and motivated skill workers even in contractual posts.

3.3 Bureaucratic Sectarianism

The inefficient bureaucratic system and lack of transparency found in the Lebanese administration which favored sectarian intents over competence and ability, lead to lack of trust between the citizens and the public administration and constituted a significant drain on the economy. “The citizen does not view the public administration as an instrument for serving his needs and interests, and the behavior of the public administration does not reflect an awareness and understanding that the reason of its existence and its role is serving the society and responding to his needs” (Strategy for

the Reform and Development, 2001). Sectarianism became the absolute criteria for advancement in the bureaucracy replacing competency and merit, thus weakening the administrative performance.

On the other hand, many argue that ~~the~~ sectarian basis of the bureaucracy has been one of the more important reasons for its survival. It is only on the basis of sectarianism that the bureaucracy can exert its claim to legitimacy as a national institution representing the interests of all Lebanese. Given the importance of sectarianism to bureaucratic survival, it is not surprising that bureaucrats report a heightened awareness of, and a continuing concern with, sectarian issues in the bureaucracy” (World Bank, 1996).

It is evident from the preceding account that, regardless of who is the corruptor, or the corrupted, ~~the~~ current situation in the Lebanese bureaucracy is pathetic, and that officials indulge excessively in violating both legal obligations and written and unwritten ethical values” (P.P. 3, Kisirwani, 2000). The structural under-performance of the public administration, and widespread perceptions regarding clientelism, confessionalism and corruption, have further contributed to the development of such a profound distrust and skepticism that, it has become difficult to persuade the public that improvements are at all possible in the lack of any transparency, accountability and quality of service delivery measures, thus the promotion of a close partnerships with the private sector and civil society, is inevitable to ensure the legitimacy of the public administration.

3.4 Corruption in the Public Administration

The Lebanese sectarian bureaucratic system has constituted the formal structure of appointments in the Public Sector. Getting appointed to a job in the administration despite its over staffing, not paying taxes, infringement on public property, and an endless list of law breaking activities, are considered to be benefits. Administrative regulations were bound to indigenous political tradition of the Lebanese confessionalism. Lebanese policies were perceived from a sectarian dimension thus asserting the idea of clientelism in the public administration, which inevitably was a major encouragement to corruption in the administration. –The number of surplus employees in public administrations and institutions (except for teachers and security forces) was estimated at 13,000, with an annual cost of 60-70 million dollars. yet, the government is helpless in taking an action due to the political or religious immunity these employees enjoy” (P.P. 5, Adra, 2006).

3.4.1 Electricity Sector

Although Lebanon spent millions of dollars trying to rehabilitate the power plants and electricity networks, the successive Lebanese governments failed to provide remedies to the Lebanese ailing electricity sector mainly due to power theft estimated to be worth 300 million dollars yearly (Adra, 2006), thus creating a heavy burden on public resources and becoming an obstacle to social and economic development. Clear policies regulating the sector were always confronted by a budget deficit, and the political economy of the country. The sector grew to be a burden that consumed 30% of all

government revenues, an amount that could have been used to alleviate poverty and provide safety nets in under preserved areas of the Lebanese territory.

3.4.2 Health Sector

The stagnation of the Lebanese political economy has affected the health sector severely and undermined the development of the health services provided by the government. The lack of clear regulations on which public institution should provide health services has resulted in a deteriorated sector. Many governmental bodies are responsible for providing for health care in Lebanon mainly the Ministry of Public Health, the Cooperative for Public Employees, Ministry of Social Affairs, and the National Social Security Fund. The total government spending on health amounts to 12% of the national GDP, which is one of the highest according to the world standards. —This high public spending on health and medical care is due to the multitude of concerned bodies adopting different price lists even within the same hospital; high numbers of contracts with private hospitals are drawn for political and confessional considerations rather than medical needs; absence of control and audit of hospitals bills, even when contraventions were revealed, the cases were closed due to the institution's political protection”. (P.P. 9, Adra, 2006).

3.4.3 Education Sector

The Lebanese government is spending a total of 160 billion dollars on the educational sector, yet the sector is facing many challenges and is being competed with a well-established private educational sector. The quality of education provided has been

deteriorating and people lost faith in the service provided by the public institutions. The situation in the sector can be summarized as follows: –The surplus in the number of teachers in public schools, with a ratio of 1 teacher to 9 students, compared to the rate of 1 teacher for 15 students in private schools, contracting teachers without an apparent need for them, awarding educational assistantships to public sector employees whose children are studying in private schools, and allocating 20 million dollars per year to gratuitous private schools (belonging to religious institutions) although the public schools can absorb students enrolled in them” (P.P. 10, Adra, 2006).

3.4.4 Social Affairs Sector

–The Ministry of Social Affairs allocates annual funds to non-profit organizations, which amounted to 70 million dollars in 2004. Despite the inefficiency and lack of transparency of some of those NGOs, the government is unable to cut their funding since they enjoy political and confessional support” (P.P. 10, Adra, 2006).

3.5 Combating Clientelism in the Public Sector

–In general, public institutions, and the public sector entities that work as intermediaries between the government and the people are responsible for the formulation and implementation of public policies and programs, are often not immune from the political economic environment of a country within which they function, and are rather part of it” (p.p. 12, Khan, 2003). The political clientelism in the Lebanese public administrations had detrimental effect as they severely damaged the output of

their services and their credibility, which enhanced the negative attitudes of the community towards the administration and its employees.

According to an Interview conducted with Hasan Krayem: “clientelism characterizes the Lebanese public economy, the private sector, and on the other hand, has to take into consideration productivity and profitability because if the private sector is totally used for clientelistic approaches, its productivity will decrease and thus it will get out of the competition market. That’s why, the private sector takes into consideration certain factors to ensure productivity, which in turn, allows the private sector to be less confessional in this sense, but it is not absolutely out of confessional considerations.” Krayem gives an example that by observation, most of the workers of the Lebanese media are Christians, but that doesn’t mean that they were recruited because they were Christians, but because of their qualifications; however, the confessional considerations of the society were taken into account, yet we can be definite that these considerations are much less in degree than the mere usage of clientelism in the public sector (Krayem, 2011).

In Lebanon, there are several ways of “instrumentalizing” the public service for clientele, political and confessional purposes. Thus, the participation of the private sector in the fight against corruption has been a key factor to success through institutionalizing reform and promoting competitive markets and good governance (CIPE, 2011). Thus, privatization in Lebanon can range from the absolute sale of government’s entire enterprises, to partial sale, to concessions, leases, management

contracts, and finally, to the opening of previously restricted sectors of privatization and competition.

CHAPTER FOUR

PRIVATIZATION AND REFORMS

. . . and every civic officer must realize that he is not set above the people to devour them, as the hawk did the frogs and the thorn the shrubs in the fables, but to preserve them from being crushed and oppressed.
(Louseau, *Cing livres des offices*, 1954)

According to the interview of Ziad Hayek, “Many political factions are calling on the necessity of depending on ~~the~~ qualification” as a criteria for the choice of the new employees in the public administration, nevertheless qualification does not suffice, where what really counts in Lebanon is the sectarian and political affiliation.” Yet, despite the numerous statements made by a large number of politicians calling for developing and consolidating the system of appointments in the Lebanese public administration, the adopted policy of the Lebanese political elites remains poised at preserving the notion of favoritism in the public appointments which is based upon confessionalism and clientelism which provides the political continuity of the Lebanese politicians. According to the figures released by the Council of Public Service, the confessional distribution of first-class positions within the seventy-eight positions available, are distributed as follows: 16% Maronites, 11% Orthodox, 6% Roman

Catholic, 6% to all other Christian denominations, 21% Sunnis, 21% Shiites, 6% Druze and 1% Alawites. Furthermore, the sixty-three diplomatic first-class positions (ambassadors) are distributed as follows: 18 Maronites, 7 Orthodox, 4 Roman Catholics, 2 for other Christians, 14 Shiites, 12 Sunnis, 5 Druzes and one Alawite.

According to an interview conducted with Gaelle Kibranian, “The above highlights the role of the political management in the promotion of sectarian and religious affiliations thought in Lebanon to be at the expense of national thought, which is a prominent indicator that the Lebanese government is based on a narrow sectarian notion which is incompatible with the notion of national identity and alliance”. This proves the inability of a confessional administration to protect the interests of the Lebanese, and to ensure national unity and to address the problems of the social division and the unequal balance in the development of the regions and the majority of communities, and address the economic crisis in a spirit of national co-existence and preserve civil peace.

It is argued that the Lebanese political elites have managed to find their way in asserting the fact that corruption became a way of life and the public are in favor of preserving the current corrupted system since it has been serving their best interest rather than summoning up the courage to defy corruption and adopt transparent measures. Dr. George Yacoub asserts that "the great majority of Lebanese, regardless of religion, social status, location, political affiliations, or wealth, are unwilling to change the present system, not because they are blind to its hazards, but because they have

developed a stake in maintaining it. Any change to the status quo is perceived to involve uncertainties concerning their established rights and privileges, both material and virtual."

4.1 State Administration Reforms

Many governments have sought to decentralize the decision making process in a way to increase productivity in both the economic and financial public sectors. The private sector has proved to be a stimulant for economic growth in the country, yet it is worth noting that the public sector provides the legal framework for drawing major policies and legitimizing the way for the private sector to carry out its responsibilities effectively in terms of providing the laws to increase investment opportunities, growth of the economy, thus enabling the creation of more job opportunities (Charles, 2003).

According to Bassam Jradi, Human Resources Manager at OGERO,: ~~Hariri~~ believed that the Government function should be to promote and facilitate private sector development through advancing social and economic development, tailored partnering arrangements between the public and private sector in order to improve service delivery of public goods by using the higher efficiency of the private sector in many operational fields; taking into consideration that the Lebanese confessionalism and clientelism are inimical to the institutionalization of public accountability and to mechanisms of administrative control, creating situations of over-employment and under-qualified personnel in the public administration".

In 1993, the Hariri government embarked on reforming the stated administration and revitalizing the state's inspection bodies through constituting an attack on the customary political practices in Lebanon. The government's ministerial declaration was clear in targeting the sectarian bureaucracy, through eliminating corruption, improving accountability through enhancing the reforming of laws that will increase the integrity of the economic environment and stimulate investments in the economy. Yet, the political agenda of reform that the Hariri government was campaigning rattled the cages of the confessional political elites and threatened to strip them of their clienteles in the public administration (Safa, 2002).

Critics accompanied the campaign with a cautious and sometimes cynical eye, focusing on analyzing the successes or possible failures, of such an effort. —They even went as far as accusing the government of deliberately sabotaging its own success by committing unforgivable mistakes and ignoring gaps that were directly responsible for the failure of the implemented plan. The difference between what happened during past administrations and in 1993, was nothing more than changing people in the same positions with no attempt to reform the laws or the bureaucracy. It was clearly indicated that what needs to happen goes beyond a purge and should include changing the laws and having the courage to draw and implement a plan to abolish confessionalism in the system and draft new laws away from the practice of dividing the spoils between sectarian leaders, thus tarnishing the democratic practice of government”. (p.p. 24-25, Zein, 1994).

4.2 Privatization EDL Zahle

Despite the huge discourses taken by the consecutive Lebanese governments to reform the electricity sector, the sector reached a critical stage and became a massive drain on public resources. The government pledged in its Paris III commitments to identify reform measures that will introduce the private sector participation, enhance efficiency, transparency and accountability, which in turn will promote investments thus transferring the sector from being a burden to an efficient and sustainable one (CDR Report, 2010).

—The main institutional problems in the management of EDL are the result of an insufficient authority for the Board of Directors for taking adequate decisions. In addition to absence of clear criteria to evaluate the performance of EDL, a lack in technical training and difficulty in recruiting new qualified personnel, unavailability of reliable and transparent reports (statistics, finance, criteria, performance, etc.) represented, the least to say, the inadequate account auditing since 2001, and a huge deficiency in human resources represented by a present body of only 1,930 employees when 5,027 are needed; a vacancy for 3,097 positions. The current body also loses 120 to 150 workers (8%) per annum due to retirement” (CDR Report 2010).

Yet, the private sector participation is already occurring in the Lebanese electricity sector through which concessions have been issued for the distribution of electricity in Zahle, Jbeil, Aley and Bhamdoun (World Bank, 2008).

Founded in the beginnings of the 1920s, Electricité de Zahle was granted a concession from the government to distribute power in the Zahle region. EDZ generates and distributes electricity in the city of Zahle and the surrounding regions in an area of around 250 km², including Residential, Commercial, Industrial, and Agricultural sections.

The history of Electricité De Zahle during its eighty-plus years of existence has proven the vision of the importance of privatization in Lebanon. EDZ is the first electricity company to be awarded the ISO Certification and certification of Quality Management System (QMS). This proves that commitment, professionalism and high technicality skills of the employees fulfill the mission to provide quality and reliable service to the customers based on introducing technical improvements, producing and delivering energy more efficiently while maintaining the quality and conforming to international standards.

4.3 Privatization of OGERO

Lebanon stands far behind the rest of the region in terms of the array of telecommunication services available to the community. According to experts in the domain, exorbitant fees, bad services, poor governance and lack of an economic perspective and strategy are the main factors hindering the development of the telecommunications sector.

The Lebanese telecommunications market has been blocked for several years now by a political “logjam” that is disabling the government to open the market to full privatization (Ericsson, 2010). The government took many legal steps towards enhancing privatization and promoting investments in the sector through establishing the Telecommunication Regulatory Authority TRA under the law 431/2002. The TRA is designed to encourage competition in the field of telecommunication, and formulate International standards on the national level for monitoring of transparency and competitiveness.

Lebanon is the home country of the largest fixed line penetration, including internet users in the eastern Mediterranean area. OGERO is the leading governmental agency in the Telecom sector which has been active, since 1994, in advancing the telecommunication innovations and enhancing the quality of communication through maintaining the fixed line network in Lebanon, and providing a world class service such, STAR service, call forwarding, conference calling, and clip.

OGERO (Organisme de Gestion et d'Exploitation de l'ex-société Radio-Orient) is a governmental agency created to run the installation of the previously established Franco-Lebanese Radio-Orient company. OGERO is under the authority of the Ministry of Telecommunication General Director, yet it is an autonomous governmental entity in terms of mandate and mission. OGERO operates in terms of a management contract

representing a semi privatization experience in preparation of full privatization of the sector in line of Paris III commitments.

—Since 1994, Ogero has been responsible for maintaining the fixed line network in Lebanon. Their job description was later extended to include billing and establishing points of sale. Ogero is also responsible for offering new services such as the STAR service. Ogero is a semi-autonomous entity with its own salary scale (approved by the Minister) and employees not included in the civil service. In addition, the waiting period for a new line has dropped from more than 10 years to about 48 hours. Ogero has a customer service office and computerized billing, and by joining efforts with another output of privatization (i.e. LibanPost) plans soon on sending phone bills by mail whenever the Ministry is ready to print the bills” (p.p. 13, Ghaleb, 2001) .

In terms of Privatization, and under the telecom privatization draft law, Liban Telecom, will be established with a twenty five years license for the establishment of telecommunications services. —~~A~~ shares of the company shall be initially owned by the state and the shares will be partially privatized in the early phases of the process. It is expected that OGERO employees will be among the first who will be transferred to LT due to their professional skills and technical abilities; however, if the government decides to terminate its contract with OGERO, OGERO will have to lay-off its entire workforce, noting that OGERO employees are not civil servants in the legal sense (not part of the civil service council) and thus compensating them will not follow the formula available to civil servants” (p.p. 11, Ghaleb 2001).

CHAPTER FIVE

ANALYSIS & CONCLUSION

—Despite religious, sectarian, regional and national differences, members of this dominant class cooperated with each other because they shared a similar interest—exploitation of the institutions of the new state to strengthen their positions and increase their wealth. Indeed, they used sectarianism more as a tool to exact privileges for themselves, their relatives and their clients than to protect the interests of the communities to which they belonged. ... Only politicians predisposed to these methods were able to succeed in the Lebanese political arena. Those who genuinely strove to transform Lebanon into a democratic, pluralistic and equitable society either had no influence or were forced out of the system altogether” (Meir Zamir, 2000).

The relationship between the Lebanese political culture in terms of attitudes, beliefs, values and political orientations of the people, and social structure on the one hand, and the nature of the political system on the other, are highly associated with each other. This paper shows that Sectarian considerations have been the basis for Lebanon's

political life where power is distributed among the country's religious sects, resulting in a confessional-clientage system, where diverse interests are tolerated and accommodated yet they imparted legitimacy to the institutions of the state.

Sectarianism is one of the great problems facing the Lebanese modernization of the public administration, represented in terms of corrupted employees at all levels. Dr. Chaaban, in a study on the cost of sectarianism in Lebanon finds that almost 16% of public employees are an added burden due to sectarianism. The total cost of excessive public sector employment reaches \$396 million per year. Revenue collection losses for public utilities are imposed by politicians using confessional pressures to allow their followers not to pay service charges. For this, the water sector loses \$67.5 million every year, while the electricity sector loses \$150 million yearly due to sectarianism (Chaaban, 2011).

The rule that all confessions should be allowed equal representation in public service has caused an excessive increase in public hiring. On the other hand, the Lebanese private sector took the lead and became one of most developed among the Arab countries. —Because of inherited factors in the Lebanese administration, the public sector became one of the under-developed sectors among new democratic countries” (p.p. 31, Daher, 2004).

According to an interview conducted with Ziad Hayek: —The future of Lebanon’s young generation is largely depending on real change in the Lebanese public sector. The

private sector is so small in Lebanon. The situation is becoming very critical. Without a radical change and a political will inside of the administration and the public sector, the crises will soon undermine the national unity, and the national identity”.

In principal, every citizen has the right to hold a public position on the basis on merit and competence; yet in practice, access to public administration is based on sectarian background. Public sector appointments and promotions became subject to clientelistic and confessional aspects thus enabling those in control of clientelistic networks to manipulate the functioning of public administrations for the benefit of their clienteles. This result of confessionalism and clientelism amounts to almost 3 billion US\$, or 9%, of GDP per year. This is equivalent to about 2\$ per person per day, paid as an opportunity cost to sectarianism. Knowing that 200,000 people live in extreme poverty in the country on less than 2\$ a day, reducing the burden of sectarianism could also reduce poverty in the long run. On an individual level, every person born in Lebanon today would have to incur at least \$114,000 (US) over his/her lifetime because of sectarianism (Chaaban, 2011).

5.1 Data Analysis

A questionnaire was distributed to help analyzing the data of OGERO employees, their years of experience, highest degree acquired, age and religion. The questionnaire was asked by the relevant stakeholders to remain unpublished. The data

collected helped in comparing OGERO employees with those at the Ministry of Telecommunications, the following is concluded:

OGERO represents a semi-autonomous administrative entity with its own salary scale structure and employees not included in the civil service. According to an internal interview conducted with OGERO human resource office, OGERO employs a total of 3,138 employees, from which 1,525 are OGERO employees who were employed according to the technical specifications of OGERO. 58% of OGERO employees have 15 – 20 years of experience, 25% have 10 – 15 years of experience, 8% have 5 – 10 years of experience, and 8% have 0 – 5 years of experience. 37% of OGERO employees work on Research and Development, while 39% works on Technical and Administrative. 58% have Master's Degree, 32% have Bachelor's Degree, and 8% have High School Degree. Sectarian distribution, based on the results of the questionnaire, showed that out of 1,433 from 1,525 employees, 991 are Muslims and 442 are Christians. —The average age of OGERO employees is 37 and close to 38 percent are below the age of 29. Only 8 percent are 49 years old or more, a portion of which is expected to retire in the next four to five years. OGERO contractual salaries for employees with experience are higher than the regular civil service pay scale, sometimes by 150 percent. The average wage at OGERO could close to double the average wage of state institutions. Gross salaries at higher-grade levels are substantially higher at OGERO when compared to the Ministry. At the entry level, gross salaries are also higher at OGERO than other state institutions in similar service sectors (e.g., Electricité du Liban) and generally the wages are comparable to the levels in the mobile market. Furthermore, the higher the grade level (i.e., more experience including international and/or education), the larger the gap in wages between OGERO and the other service-providing state institutions” (p.p. 9, Ghaleb 2001).

In analyzing the data of the 2,860 employees at the Ministry of Telecommunication we find that about 80% of employees are above 50 years old. The Ministry stopped hiring new permanent employees since the mid 1980's, which drove the average age even higher and the level of expertise and skill level lower. —The majority of the staff is without any higher level education degree (high-school or university). Furthermore, daily workers make up 48 percent of MPT employees. They possess very limited skills, and are above the mean age of 53. Note that the daily workers are not considered civil servants and thus have less job security and fewer fringe benefits. The average age of technicians at the Ministry is in the low 50's" (p.p. 20, Ghaleb 2001).

OGERO, managed to recruit professional people due to the fact that the employment process in OGERO has been designed by Cable and Wireless Company, based in the UK, where OGERO followed an international model of recruitment in terms of advertising the vacant post, applying, interviewing and screening of applications.

5.2 Conclusion

It is internationally agreed that cooperation among the relevant stakeholders in both the public, and private sectors, at the local, national, regional and global levels, is essential in improving the management of the public sector, especially in terms of stimulating better experiences, human resource management, knowledge and skills required to utilize resources and respond effectively to the public needs.

Many forms of partnerships can be considered as a major elements vital in the process of stimulating the public administration. The public – private partnership should aim at enhancing performance of the public service through introducing privatization in forms of decentralization and management contracting out. It is clear that public-private partnership requires a proper system of accountability monitoring decisions and policies implemented especially in terms of constitutional constraints, observing, and legal limits, especially that more responsibilities and functions are delegated to independent and private business bodies, which might raise the concern of legislative and political liability of the government towards the Lebanese public.

Consequently, the Lebanese public and political elites may not accept these policies, believing that the government won't be liable in terms of decision making for the implemented policies and decisions, which in turn weakens their ability in providing public services for their clients; thus, their public control and political influence on the confessional appointments in the public administration will diminish.

Therefore, privatization in Lebanon will not proceed without encountering major difficulties related to: (a) lack of confidence and high uncertainty about Lebanon's political future; (b) unstable and weak economic environment characterized by high inflation, steep depreciation of the Lebanese pound, growing difficulties of Lebanese commercial banks, and significant public debt; (c) inadequate regulatory structures

characterized by the weakness of the Lebanese legal system, lack of planning and supervisory boards, and inefficient regulatory mechanisms.

Privatization in Lebanon will continue to be a fundamental phenomenon in the socio-economic life; this study shows that enterprises in Lebanon whom have adopted the private system outperform the public sector through creating jobs, compensating its employees well, and encouraging them to be more productive.

Privatization in Lebanon can turn out to be successful and profitable benefitting not only the economy in general, but the Lebanese consumer in particular, yet one of the major obstacles that the government could be facing is the laying off of employees that are be soon to-be retirees, with or without privatization, because it cannot overlook the welfare of 4 million consumers.

Privatization in Lebanon should be seriously examined, especially that privatization does not abolish governmental interventions in developing policies and procedures to ensure the integrity of an efficient administrative scheme. Government will lose ownership, yet this initial step is inevitable where the government has had little, or no, experience. The case of OGERO proves that for the government to meet the conflicting requirements of a technology-based private [sector] telecom system for efficiency and profit while distributing socially just and efficient service to the public, it will need regulators with technical skills and devotion to public service, which is a combination all too rare in clientelistic sectarian based public sector.

The problem that any Lebanese government will face is how to design and implement strategies to counter the negative policy impacts of clientelism and its effect on privatization? This paper does not attempt to give a full answer to this problem, mainly because the Lebanese sectarian and confessional political representation, and partly because there is no fully privatized institution in the Lebanese administration; each case found is particular in its nature whether OGERO, EDL Zahle, IDAL, Liban Post, MEA, or the administration of Port De Beyrouth, especially that the framing of reform proposals requires further research as to its nature, scope, cost and expected and unexpected outcomes.

It is nevertheless an indicative general reform trend that privatization is very instrumental in countering nepotism and patronage by which it introduces meritocratic recruitment procedures and a sustainable career policy rather than clientele affiliations. Yet, the examples shown in this paper can provide empirical evidence that privatization in any form stipulated, conclusively, has its implications towards minimizing the influence of political clientelism and can lead to a better result in terms of the quality and quantity of services provided.

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