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The Political Economy of Patronage in Lebanon

The Case of the Council of Development
and Reconstruction
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Acronyms:

CDR: Council for Development and Reconstruction:

PM: Prime Minister

MP: Member of Parliament

PSP: Progressive Socialist Party

JCC: Al Jihad For Commerce and Contracting

DCTC: Danash Contracting and Trading Company

NBEC: Establishment Nazih S. Braidi for Engineering and Contracting

AUB: American University of Beirut

CTB: Central Tenders Board

HRW: Human Rights Watch

Abstract:

The Council for Development and Reconstruction has been formed as an alternative to the ministry of general planning. The main purpose of its formation was avoiding bureaucratic inefficiencies and developing a rigid infrastructure in Lebanon. Hence, the CDR has been granted the autonomy that exempted it from any supervision and regulation. This paper argues that in the postwar period, the CDR has been transformed from a state-building institution to an income generator for the political and economic elites. In order to prove this hypothesis, this paper will look at the political affiliations of the members of the CDR and the owners of the contracting companies that monopolize the construction of the projects. Furthermore, it will tackle two specific projects initiated by the CDR which are the waste management process in Beirut, and the Bisri dam. This paper concludes that the CDR is an institutional manifestation of the clientelistic political system in Lebanon and is a network that fortifies the alliance between the political and economic elites in Lebanon.

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1. Introduction

The outbreak of the Lebanese civil war and its persistence for 15 years created massive destruction in the country. After the end of the war, the Lebanese government initiated the National Emergency Reconstruction Program as a reconstruction plan in order to rebuild damage to infrastructure and other sectors. It was soon transformed to the Horizon 2000 project. The Lebanese businessman Rafic Hariri initiated the reconstruction project “Horizon 2000” which had two tasks: consolidating an environment conducive to fortifying the investments of the public sector, in addition to strengthening the public confidence in the state. Furthermore, another main pillar of the reconstruction plan was the Council for Development and Reconstruction (CDR). In specific, towards the end of 1976, and after two years of war and destruction, the Lebanese government aimed to establish an institution that could supervise the reconstruction of the damage of the infrastructure. Hence, the Council of Development and Reconstruction was established through Decree No.5 on 31st of January, 1977. The three main tasks of the council were designing reconstruction plan within a specific time range, granting the funding for the projects, and supervising the implementation of the projects. Upon its formation, the main tasks of the CDR were mainly laborious and limited to certain projects. However, in the post-war period, the Lebanese government decided to give the CDR broader responsibilities which made the Council responsible for mainly most of the projects related to Lebanese infrastructure. However, the Lebanese infrastructure is considered one of the worst in the world. For example, Lebanon ranks 120 out of 144 according to the road safety index. In addition to that, the supply of water is lower than expected knowing where households spend 15% of their income to ensure water supply. These numbers depict the fragility of the infrastructure in Lebanon, and the CDR is responsible for developing the infrastructure. Hence, there is a wide gap between the tasks of CDR and the

outcomes of their infrastructure projects. This raises important questions about its efficiency and role in the management of postwar reconstruction and contribution to the state's fiscal problems.

How did the CDR become a vehicle for private wealth creation and patronage knowing that it was initially a state building tool? This research question will be answered by comparing the role of the CDR before Rafiq Hariri's control of the council and after his control. In other words, this paper will discuss the historical background of the council and the reason behind its creation while taking into consideration that the idea of the CDR is a Shehabist idea. In other words, the original vision behind its creation by Elias Sarkis and Salim el-Hoss was to avoid bureaucratic and ministerial inefficiencies. However, we can argue that the council failed to achieve this goal since it has been hijacked by sectarian political parties who transformed it into a wealth generator and a clientelistic network.

The hypothesis of this study is that the penetration of the sectarian political parties in the council has transformed it into a vehicle for patronage and wealth creation. Hence, in order to prove this hypothesis, this paper will examine the political connections of successive presidents of the council and other top officials. In addition to that, the paper will look at the companies that win the tenders that are initiated by the CDR to execute the projects. Furthermore, the paper will look at projects executed under the supervision of the council, namely garbage collection and the dams built in Lebanon. These projects will be examples of how political elites "divide" the pie of development and infrastructure projects between them based on sectarian and clientelist calculations. The main source of information will be research papers that tackled the reconstruction project in Lebanon. In addition, local and international newspapers will be utilized in order to identify the council's most recent activities and projects.

This paper will be divided into four sections. The first section will provide a general background of the CDR and the reasons behind its formation and its main tasks. The second section will introduce the various debates in the literature that tackles the Lebanese political economy and the Reconstruction Program that was initiated by Prime Minister Rafiq Hariri. The third section will discuss the Ministry of Planning (*Wizarat Al Tasmeem*) that was later replaced by the CDR. This section will also identify the political connections of the presidents of the council. The next section will identify the companies that win the majority of the tenders, in addition to the political connections and affiliations of its owners. The fifth section will look critically at specific projects that were supervised by the council which are garbage collection and building dams. These case studies are chosen because each project is executed by a company that is close to a sectarian leader where sectarian leaders have divided the projects based on sectarian and clientelist balances. The conclusion of the paper will relate the main arguments and findings of the paper to the main arguments that were presented in the literature review.

2. Literature Review:

2.1 The Lebanese Political Economy of Sectarianism

In order to study the mode of work of the CDR, it is important to look at the Lebanese political economy of sectarianism in a general frame in the first place. Baumann (2016), Diwan (2020), and Majed (2017) argue that the most prominent feature of Lebanese political economy is the overlap between the political and economic interests of the sectarian political elites. They argue that the consociational power-sharing system has produced a small group of political sectarian elites who partnered with businessmen and worked on monopolizing the states' economic resources. Baumann (2016) explains the Lebanese political economy by discussing the unjust

distribution of resources in the Lebanese state. Hence, Baumann (2016) argues that the politicians, in a sectarian system, must hinder any form of equal distribution of economic resources between citizens. Instead, the political elites must make sure that there is an unequal access to resources and unequal distribution of wealth, in order to maintain their clientelistic networks.

Ishac Diwan (2020) uses the economic reform plan that was developed by Hassan Diab's cabinet as a case study to depict the overlapping interests of the political and economic elites in the country. The Association of Banks in Lebanon opposed the economic plan and presented their own economic plan that proposes selling state assets. In other words, the economic elites proposed a plan that minimizes the losses of the banks at the expense of the general population. As for Majed (2017), she utilizes the political economy of sectarianism as an independent variable that explains the persistence of sectarianism. Majed (2017) labels the current political structure as "interest-based" politics and not "identity-based politics". She argues that the puzzle is framed in the following way: the dominant class manipulates the masses using sectarian tactics while the working class follows the rules imposed on them since they would rather access some resources instead of being sanctioned or ostracized. Majed (2017) selects the labor movement, which managed to prove some effectiveness at some point, as a case study that accurately depicts how the sectarian penetration inside the institution has diminished its effectiveness.

After discussing the general framework of the Lebanese political economy, it is essential to zoom in on how the control of state institutions by the political sectarian elites affect its outcomes. For example, the exploitation of state institutions for clientelistic purposes has been evident in the reconstruction process also.

2.2 Rafiq Hariri's Reconstruction Plan

Baumann (2016) argues that the reconstruction project that was implemented in Lebanon after the civil war by Rafic Al Hariri applied a “neoliberal recipe” on urban reconstruction projects. In return, this resulted in a very unequal political economy that gave the political elites monopoly over the control of state resources.

One of Hariri's main pillars for his reconstruction plan was transferring the ownership rights from thousands of owners to “Solidere” which was a private development company. However, the liaison between Solidere and the Lebanese state was the council for Development and Reconstruction. It is important to emphasize the independence of the CDR (Council for Development and Reconstruction, 2020) and to specify that the council is not supervised by any ministry. In addition to that, after the implementation of the Taif agreement, new tasks were assigned for the council where the executive council gave all the tasks of other councils such as Executive Council Projects of the city of Beirut, and the Executive Council to the CDR. Hence, the CDR became in charge of most of the reconstruction projects in the country that were designed based on neoliberal policies. The CDR, which was originally created as an instrument for state building, became an instrument for neo-liberal.

Dibeh (2005) criticizes the reconstruction plan in post-war Lebanon. He argues that this plan has failed to achieve its goals due to several reasons. Dibeh discusses the badly-designed fiscal policy, in addition to a political economic structure that would hinder any growth attempt. He argues that the main gap that prevailed in the architecture of the fiscal policies was the fact that they were driven by *political* and economic needs. Dibeh (2005) also argues that the distribution of funds in the post-war era was based solely on sectarian lines rather than based on income groups. He also highlights the importance of state intervention in reconstruction projects and insists that

reconstruction plans must be a part of a general national plan. However, in the Lebanese case, the reconstruction was planned by the CDR and lacked any cost-benefit analysis or any study of its impact on the Lebanese economic growth.

We can infer that the reconstruction project in Lebanon was based on neo-liberal policies that manipulated sectarian identities in order to sustain certain class interests. Furthermore, the state's economic policies disregarded economic inequalities and only focused on the interest of economic elites which validates the arguments of Baumann (2016), Diwan (2020), and Majed (2017).

2.3 The Penetration of Sectarian Political Parties in State Institutions: Other Case Studies

The reconstruction project was one example of an economic project that was exploited by political elites for clientelistic benefits. Salloukh (2019) also studied how the Lebanese public sector was confiscated by the political elites and has become a tool for providing clientelistic services. He relied on the political economy approach to argue that the expansion in the number of public employees resulted in the emergence of a very sectarian post-war public sector managed and administered by “corruption, cronyism, and all types of distortions” (Salloukh, 2019: p 45). Salloukh states that controlling first grade appointments supply the postwar elite with influence over government contracts. It also protects them from accountability or any legal questioning. Salloukh claims that extending confessional parity principle beyond first grade posts is a reason for postponing hiring and promotion in the public sector which in turn affects quality of the recruited personnel in the public sector.

Salloukh and Clark (2013) also studied the General Confederation (GCL) which was politicized in the post-war era. Salloukh and Clark argue that the two gaps in the GCL are the

institutional dynamics (internal), and the sectarian elites' strategies to penetrate the GCL. Sectarian elites created labor unions that are affiliated with their parties so that they can dominate the executive council of the GCL. This study shows us that the persistence of sectarian identities is the result of elite strategies to hinder the efforts of civil society organizations (CSOs) which are supposed to create social and economic change. The political sectarian elites exerted efforts to prevent any type of political mobilization that excluded the sectarian identities. Salloukh and Clark (2013) argue that political elites can sabotage the efforts of the CSOs by their access to state institutions and resources.

These two studies show that as long as “Dawlat Al Muhasasa” is present along with a strong clientelist network, the elites will continue to weaken any attempt of a cross-sectarian change. Hence, sectarian identities will continue to dominate over other affiliations and will continue to function as a layer to cover the economic differences.

The previous literature has highlighted the tactics that are utilized by the sectarian political elites to hijack state institutions. A general overview about the Council of Development and Reconstruction was also given knowing that the CDR has supervised most of the projects related to reconstruction and the infrastructure. Hence, the aim of this study is to draw a connection between the main features of the Lebanese political economy of sectarianism and the CDR. This connection will be established by looking at the CDR as a case study that exemplifies the political economy of patronage in Lebanon. The Lebanese political economy has been characterized by the overlap of interests of the political elites and the business elites. Therefore, the aim of this paper is to look the overlap of interests in the projects that are executed under the supervision of the CDR.

3. From the Ministry of General Planning to the CDR

The Ministry of General Planning was formed in 1954 under the presidency of Kamil Chamoun. The general system of the ministry was modified under the presidency of Fouad Chehab according to the law issued on June 12, 1962. It consisted of different committees, one of which was the council of designing and development. The president of this ministerial council was the assigned minister whereas the other 10 council members were experts in economics, sociology, and development. The ministry was responsible for several tasks that are related to the development of the infrastructure. First, the ministry was responsible for preparing a general plan along with other subsequent designs in order to sustain economic and social development. Second, the ministry must design a social, economic, and financial policy that suits the general development plan. Third, the ministry was required to collect, analyze, and publish all the statistics and numbers related to all the forms of economic and social activities. Finally, the ministry directs other ministries to initiate developmental plans that are suitable to the general plan (Shahreya, 2018).

Upon the formation of the Ministry of Planning, Prime Minister Sami el Solh took charge of the ministry. This indicates its importance in achieving economic prosperity and development. Afterwards, Prime Minister Rachid Karami also became the minister of general planning which emphasizes the crucial role that the ministry plays in achieving development in Lebanon. In 1958, the minister became Emile Boustany, followed by Farid Trad. After modifying the internal system of the ministry in 1962 under president Shehab, the ministry was headed by Othman Dana, followed by Fouad Amoun. The last minister of General Planning was Micheal Doumitt under the era of President Elias Sarkiss and Prime Minister Salim Al Hoss.

The ministry was dissolved in 1977 and replaced by the Council of Development and Reconstruction. The main aim of forming the CDR was creating an autonomous and viable

institution that is not controlled by a minister who is replaced frequently upon the resignation and formation of new cabinets (Shahreya, 2018). Hence, upon the formation of Salim Al Hoss' new cabinet in 1977, the legislative decree number 5 was issued on January 31, 1977 and the CDR was formed. The CDR was granted extensive powers in order to preserve its autonomy. It has authority to propose projects, design and plan their executions, provide consultations, initiate tenders, fund these projects, and take and grant loans (El Nashra, 2019).

3.1 Presidents of the CDR

The first president of the Council was Mohammad Atallah who headed the council from March 21, 1977 until September 10, 1984. The second president was Malek Salam, and the third president was Al Fadel Chalak. Chalak headed the CDR from 24 January 1991 until 10 June 1995 and was later appointed as the Minister of Mails, Wired, and Wireless Transportation in 1996. He was also the CEO of "Future Newspaper" from 1999 until 2002. In his book, *My Experience with Hariri*, Chalak discusses working with Hariri from 1978 until his assassination.

Chalak was reassigned as the president of the council from 2004 and headed the council until 2006. Furthermore, Nabil Al Jisr was appointed by Rafic Al Hariri as president from 1995 until 1999, and was reassigned president from 2006 until today. Mahmoud Othman was assigned as the fifth president for the council, and he took charge from 1999 until 2002. He was followed by Jamal Itani who headed the council from 2002 until 2004. Jamal Itani ran for the municipal elections in Beirut in May 2016. The list headed by Itani (لائحة البيارثة) was announced from "Beit Al Wassat" which is Saad Al Hariri's residence. Hariri (Future Movement) endorsed the list and emphasized that this electoral list is the list that represents Rafic Hariri and the parity he called for (Alakhbar, 2016). Jamal Itani was also the CEO of Solidere which, as previously mentioned, is a private company that was charged to plan and execute the reconstruction plan in Central Beirut

(downtown). Nabil El Jisr, the current president of the Council, is a shareholder in Future TV. He is also Samir Al Jisr's brother who is a Member of the Future Movement's bloc in Parliament since 2005. Nabil Al Jisr was also Fouad Al Senioura's advisor in 2005. (AlAkhbar, 2016).

Before 1990 and prior to Taif, the presidents of the council were close to the Lebanese Prime minister knowing that the PM appoints the presidents. However, this relationship was not very clear and strong. Nevertheless, as we move forward, the presidents of the CDR became more publicly affiliated with the Prime Ministers, especially Hariri the father and the son. This shows us that in the post-Taif period, the first signs of political settlement in the council start to appear through the appointments. In the pre-Taif period, the two presidents were Mohammad Atallah and Malek Salam. There are no clear connections between Atallah and Salam and any other sectarian political leader in the state. However, in the post-Taif period, Chalak, Itani, and Jisr are more publicly affiliated to the Prime Minister in general, and the Hariris, in specific. Furthermore, as we move forward, the connection between Hariri and the president becomes stronger. Itani and Jisr are more under mantle of Hariri compared to Chalak. In other words, there are clearer political and economic interests between Itani and Jisr and Hariri.

3.2 Other Posts in the Council

The vice president of the council is Yasser Berri, Nabih Berri's brother, the Speaker of Parliament (1992 - present) and the President of Amal Movement. Berri was appointed in 2004 for five years but is still in his position. The second vice president was Alain Kordahi, who was close to President Emile Lahoud. Walid Safi is the Government Commissioner in the Council and is affiliated with the Progressive Socialist Party headed by the Durzi leader, Walid Jounblatt.

The board of directors also include members that are politically affiliated with sectarian political parties or political elites in the country. Ghazi Haddad, the general director of the council, was

appointed in 2004 for five years, but is still in the position. Haddad is connected to Micheal Al Murr who served as Member of Parliament, Deputy prime minister, and minister of interior. Malek El Ayass is also a member of the board of directors where he represents the Durzi ``share” in the council (connected to Arsalan and Jounblatt). Yehia Sankari, who is related to the former president Omar Karami, is also a member of the board of directors. He was appointed in 2004 for 3 years, but is still in his position (AlAkhbar, 2012).

Other administrative positions are also appointed based on political affiliations and connections. For example, Ziad El Machnouk, Nouhad El Machnouk's brother, was appointed as the head of a department in the Finance directorate in the Council. Furthermore, Fawzi Abou Zeid, member of the “Organization for Supporting Islamic Resistance”, is also a member of the council. In addition, Rabab Al Sadr’s son Qusai Sharafeddine, brother of the former vice Governor of *Banque Du Liban*, is the person responsible for the funding that the council receives (AlAkhbar, 2012).

It is evident that the Lebanese sectarian leaders have divided the posts in the council between them. The president of the council is affiliated to the Future Movement, the vice president is affiliated to Amal Movement. The members of the board are affiliated with Murr, PSP, and Karami. Most of the posts that are involved in the decision-making process are occupied by individuals who are politically affiliated with sectarian political parties. Hence, it is evident that the consociational model that is based on power sharing is being applied on the appointments in the CDR (**Grand Coalition**). However, the main purpose of creating the CDR was creating an autonomous institution that is not subject to the interests of the political elites. Hassan Moukalled (AlManar, 2019) argues that the CDR has been formed in order to surpass the bureaucratic

routines. Nevertheless, it is evident that the political elites, through the Prime Minister, hijacked the council by controlling its internal decision-making process.

The president and the vice president of the council were appointed in 2004 for a five-year term. Suheil Bouji, the former secretary of the Office of the Prime minister, renewed their appointments without referring back to any superior authority (AlManar, 2019). Hence, on legal terms, the term of their appointment has finished in 2009. However, they have been illegally exercising their functions for 12 years. Furthermore, according to rules of the council, its board can include a minimum of 7 members and a maximum of 12 members. Knowing that two members of the council passed away, there are only five individuals who are responsible for making all the decisions that include allocating the funds that the council receives. According to the CDR's internal system, for a meeting to be held, half of the members plus one must be present. Knowing that there are three empty places, then the five current members are the ones that make the decisions unilaterally. In case one of these members does not attend the meeting, the others cannot take the decision. Hence, the decision-making process in the CDR can be summarized in the following: Five board members, who work under the mantle of the political elites, are operating the council illegally. In this case, we can argue that every member has a **veto power** that can be used by not attending the meeting. Thus, the "presence" or "absence" of a member is also based on the decision of the sectarian party that appointed him in the council. In this case, any form of tension that arises between the political parties in any other realm might create a deadlock in the council knowing that they would ask their "representatives" not to attend the meeting. Avoiding such incidents is the main reason behind the formation of the CDR. Nevertheless, the CDR ended up being another example of inefficient state institutions due to appointments that are based on sectarian calculations. Therefore, the following section will discuss how does controlling the

decision making process in the CDR impact its efficiency in developing the Lebanese infrastructure.

4. Tenders and Contractors

4.1 Behind every great contractor is a greater politician

Aside from its contract with “Sukleen” and “Mez”, the value of the contracts that CDR signed between 2007 and 2019 amounted to \$4.8 billion (AlAkhbar, 2012). The \$4.8 billion are the costs of 270 projects that were implemented all over Lebanon. In order to determine which contracting companies will execute the project, the CDR initiates tenders, and naturally, the company that wins the tender, will be the one that will execute the project (AlAkhbar, 2020).

Before looking at the process of the tender, it is important to classify the contracts that are issued by CDR. The first category of contracts are the contracts whose costs exceed \$100 million where they amounted for \$3.55 billion and **fourteen** contracting companies, only, won their corresponding tenders. The second category of the contracts are the contracts that cost between 50\$ million to 100\$ million. This category of contracts amounted to \$278.5 million and **four** contracting companies were responsible for executing the projects in this category. The third category are the contracts that range from \$10 million to \$50 million and the total amount of these contracts was \$808.7 million and they were executed by 27 contracting companies. The last category are the contracts that amount to less than \$10 million where the total amount was \$173 million and 37 construction companies executed these projects. Hence, we can infer that 82 contracting companies were able to execute 270 projects supervised by the CDR (AlAkhbar, 2020). However, out of the 82, there are 45 companies that won only one contract and were not able to secure other contracts throughout 13 years. Out of the remaining 37 remaining companies,

12 were able to acquire a “modest” number of contracts which is 1.3% of the total contracts and amounts to 62.3 million dollars. Hence, the remaining **twenty five** contracting and construction companies were able to monopolize the execution of all the remaining projects in the country.

Based on these numbers, the picture starts to become clearer. The members of the council who are responsible for the decision making represent the political elites and work in favor of their interests. However, there is an apparent relationship between the political elites and the contracting companies knowing that a very limited number of companies are responsible for executing most of the projects all over Lebanon. Hence, understanding the structure of these companies can uncover the underlying alliance between the political elites and contracting companies.

4.2 General Rules and Conditions of Tenders

Before discussing the tender’s procedure, it is essential to mention that all the tenders that are initiated by the CDR are not subject to the regulation or control of any superior authority or any other state institution. Moreover, the CDR is independent from the Central Tenders Board. (*Edarat Al Munakasat*). Hence, the CTB lacks the capacity to override or to hold the CDR accountable regarding any tender condition they initiate. In other words, the CDR is not subject to any transparency or accountability mechanism.

As for the tenders, first, the CDR sets the pre-conditions that companies must fulfill in order to be able to participate in the tender, which is also known as “*Daftar al Shurut*”. In case a company is not able to fulfill these preconditions, it will not be able to participate in the tender in the first place. The most prominent condition for participation is “experience” where the CDR emphasizes that any company must have at least 5 years of experience in construction in order to be eligible for participation. However, another controversial condition that the CDR imposes is that any company that participates in a tender (initiated by the CDR) and fails to “win” the tender

for five consecutive years will be prohibited from participating in any future tender. Nevertheless, even if these companies had won tenders during these five years and executed projects with the Ministry of Public Works or the Municipality of Beirut, they would still lose their right to participate in the tenders initiated by the CDR. In addition, the CDR is the only entity that specifies the condition “*Al Shurut*” for tenders (AlAkhbar, 2020). In other words, the “representatives” of the political elites within the council specifies the “*shurut*” without the supervision of any other state institution. The members of the CDR, who are mainly representatives of the political sectarian elites, determine the conditions of the tenders, and are not held accountable to any other institution in the case of any discrepancy. Therefore, this method of initiating tenders and setting its conditions unilaterally has decreased the number of companies that execute projects for the CDR over the past years.

In specific, there are ten contracting companies that have executed most of the projects in the CDR (AlAkhbar, 2012). However, this phenomenon is illegal taking into consideration the council’s resolutions no. a/380/2007 issued on 19 April 2007. This law states that the council is not allowed to give concessions for a company to execute more than three projects at the same time. Thus, the CDR, is practicing two prominent illegal actions. Other than the expired term of its members, the council is giving the license of execution of more than three projects to one company, at the same time. As mentioned previously, it is essential to dissect these companies in order to understand why there is a very limited number of contractors that execute most of the projects. According to *Al-Akhbar* newspaper, 10 major companies have executed most of the projects initiated by the CDR. These are:

1) Al-Jihad for Commerce and Contracting (JCC)

This company is one of the ten others that were able to monopolize executing most of the CDR's projects. First, the CEO of JCC is Jihad Al-Arab. Abed Al Arab, Jihad Al Arab's sibling, is a partner in the company. Abed Al Arab also heads of the security detail for Prime Minister Saad Al Hariri. Jihad Al Arab is also the nephew of the bodyguard of Rafic Al Hariri, Yehia Al Arab, who died with Rafic Al Hariri on February 14, 2005. In 2015, the CDR paid JCC more than \$63 million for executing different projects. The first project was "Developing the Infrastructure in Tripoli" where the CDR paid JCC and its partner company about \$25 million (AlAkhbar, 2020). However, the main partner in this project was Homan Engineering Company headed by Ghassan Rizk who is close to the president of the Syrian Socialist Nationalist Party (SSNP) Assad Hardan, Tony Sleiman Frangieh, and Gebran Bassil. The JCC was also paid \$15 million in order to execute a parking lot under "Till Square" in Tripoli. The third project during 2015 was constructing a veggies market in Tripoli; however, the costs of this project were not mentioned in the CDR's 2015 budget (AlAkhbar, 2020).

2) **Danash Contracting and Trading Company (DCTC)**

The CEO of DCTC is Mohammad Danash who is a member of **Amal Movement**, the Department of Engineers and Free Professions (LCPS, 2021). In the CDR's 2015 budget, DCTC was paid \$120 million. According to *LBCI*, DCTC and Research Italy were awarded contracts that valued more than \$182 million.

The second contracting company that executes projects in the South of Lebanon is a partnership between Water Resources and Development Company (WARD), Al Kharafi and Sons (MAK companies), and STFA group. Al Kharafi was the company that won the tender for constructing a parking lot in Beirut's International Airport when Ghazi Zeaiter (**Amal Movement**) was the minister of Public Works. According to the Lebanese State Shura Council, the conditions for

winning the tender (of the Airport Parking) was designed exactly to fit the specifications of Al Kharafi and sons (LBCI, 2021).

This uncovers another variable in dividing the “pie” between the political elites. It is evident that contracting companies, whose founders are close to the political elites, monopolize the execution of projects in the regions that are controlled by the sectarian leader. For example, in the case of DCTC, Danash is connected to Amal Movement. Therefore, DCTC, along with other companies, monopolize executing the projects in the South of Lebanon which is the region under the control of Amal Movement and Hezbollah. This is another manifestation of the Lebanese Consociational power-sharing model (**Segmental Autonomy**).

3) Establishment Nazih S. Braidı for Engineering and Contracting (NBEC)

Nazih Braidı is the former Head of the Order of Engineers and Architects. Braidı has political connections with the Future Movement. According to AlAkhbar (2012), Braidı played a role in exempting “Sukleen” from paying its bills to the Order of Engineers and Architects. The CDR paid NBEC \$45 million in 2015. One of the projects was implementing the first stage of the sewage network in the northern region of Greater Beirut. The initial cost of the project was \$22 million; however, it increased to \$27 million. The payment of the extra five million dollars was justified by saying that NBEC will execute “additional work which is building necessary sewage networks that are complementary to the ones that are being built”, without any further explanation (AlAkhbar, 2012). In this case, we can refer back to the lack of any transparency and accountability mechanism. In this very minor example, the CDR was able to spend five million dollars without any justification or accountability. Hence, this institution, which was formed to contribute to building the state, has become a tool to generate income and to absorb state resources for the interest of political and economic elites.

4) Al Bonyan Company for Engineering and Contracting S.A.R.L.

The CEO of Al Bonyan is Ali Saleh Al-Moussawi who is connected to former and current Hezbollah MPs. Just like DCTC, Al Bonyan executes projects in the regions that are under the control of Hezbollah. According to LBCI, Al Bonyan constructed the Iyaat Refinery in Baalbeck in 2008. The residents of Iyaat have organized several protests in order to complain about the “bad smell” that is produced from the refinery. However, the roots of the problem dates back to the construction of the refinery. According to the residents of Iyaat, the supposedly refined water, leaves the refinery to the plains of Iyaat without being refined (AlAkhbar, 2018). This example shows us the effect the sectarian control and the lack of accountability over the CDR. In other words, the CDR is the entity that granted “Al Bonyan” the approval for constructing the project and supposedly supervised the construction process. However, the refinery has completely failed to refine the water, and is mostly affecting the farmers in Shlifa, Deir Al Ahmar, Btadei, and Iyaat (AlAkhbar, 2012). In this case, the CDR did not only fail to execute a successful infrastructure project. Thus, the CDR created losses and damage to the farmers knowing that unrefined water reach the plains where they grow their crops. Regardless of its evident failure, neither the CDR nor the contracting company were held accountable due to the absence of overriding mechanisms over the council’s work.

These four companies are examples of the companies that monopolize the execution of the projects all over the country. As stated previously, the main posts in the council are hijacked by the political elites. After digging deeper into the structure of these companies, we can identify strong political connections between its owners and Lebanese political elites. At this point, the picture is becoming clearer. The supposedly “autonomous” CDR has been confiscated by the political elites through appointing members who are close to their circle. The members of the board

work in favor of political elites by initiating tenders and structuring participation conditions that fit exactly contracting companies whose owners are also close to the political elites. Hence, the CDR has become a tool to generate income and accumulate profit for the political and economic elites in the country. This verifies the presence of an alliance and an overlap of interests between the political elites and the economic elites in the state, which was mentioned by Baumann (2019), Diwan (2020), and Majed (2017). Moreover, the problem does not only lie in absorbing state resources and funds. Thus, the CDR is also creating damage in the state's infrastructure that is also affecting other economic activities.

Haass and Ottmann (2018) argue that one main reason for post-conflict corruption is the presence of political power-sharing institutions in the state. Furthermore, Levi (1989) also argue that the elites that are part of the post-war power sharing arrangement tend to capture as many rents as possible before leaving office. This is the case of the CDR where power-sharing elites, that were part of the Taif Agreement, seized it and exploited its powers to create income. Other than controlling the appointments in the council, the elites made use of the CDR through amending the founding law of the CDR. In particular, in the post-war period, the CDR's founding law was amended by virtue of Law no. 117 in 1991. The amended law granted CDR the power to establish real estate companies. The main objective behind this amendment was establishing *Solidere* (Monthly Magazine, 2017). *Solidere* was established under the authority of the CDR and it was the real estate company that rebuilt the Center of Beirut. Nevertheless, the owners of *Solidere* are also part of the post-war political establishment. The founder of *Solidere* was Rafic Hariri, and the current board members include Mohammad Choucair (Future Movement), Nader Hariri (Future Movement), and Raja Salemei who's Riad Salemei's brother (*Solidere*, 2021). Establishing

Solidere under the authority of the CDR is also another example of how the CDR was confiscated by the political elites in the post-war period for generating profits.

4.3 THE WASTE MANAGEMENT CRISIS AND THE CDR

Garbage gets accumulated in the streets of Beirut every now and then. However, it is important to dig further into the problem in order to understand its root causes and the reason behind the absence of a sustainable waste management plan. The actual garbage crisis in Lebanon originated in 1994; hence, this crisis does not date back to 2015. In order to solve the problem, the CDR signed a contract with Sukleen in 1994. The terms of this contract stated that Sukleen will be the waste management company that is responsible for collecting the garbage of Beirut. According to the CSKC (2014), the contract amounted to approximately \$3.6 million; however, this amount is double the estimated costs that the municipalities could have charged for the same services. Sukleen charges the Lebanese state a minimum of \$140 for every ton of collected garbage. However, Sukleen does not treat the waste, but rather charges \$140 just for collecting the garbage and dumping it in the assigned landfill. This cost is considered to be the highest in the world. According to the HRW, every ton of garbage costs Lebanon \$154.5. In comparison to Lebanon, it costs Jordan, Algeria, and Syria it is 7.22\$, 22.8\$, and 21.55\$ respectively for the same service (HRW, 2020). In other words, Lebanon pays \$420 million per year for a service that Jordan and Tunisia pay \$48 million and \$54 million for respectively.

Sukleen's monopoly of garbage collection for years is a manifestation of the clientelism and patronage in the Lebanese economy. Maysara Sukkar, the CEO of Sukleen, was Rafic Al Hariri's partner in business and construction projects in Saudi Arabia (AlAraby, 2015). Furthermore, Sukleen's contract with the Lebanese state (represented by the CDR) was extended

several times. However, during these years, the CDR did not initiate any tender that allows other waste management companies to present other offers for the Lebanese state. In other words, the state (represented by the CDR) did not allow any private waste management company to compete with Sukleen. The monopolization of garbage collection by a private company in Beirut is identical to monopolizing the execution of infrastructure projects all over Lebanon. In these two cases, the CDR is a common denominator. Particularly, the CDR has become a tool that facilitates these monopolies through its power to initiate tenders and to determine the conditions of participation. Hence, hijacking the council by the political elites has not only transformed it to an inefficient institution. However, the council has become an apparatus used by these elites to make use of their powers. The political elites in Lebanon have been exploiting the autonomy of the council to facilitate their corruption.

4.4 DAMS

Gebran Bassil, the head of the Free Patriotic Movement, has been the most prominent advocate for building dams in Lebanon. The Ministry of Energy and Water in Lebanon administered the construction of Mseilha Dam, Brissa Dam, Kaisammani Dam, Janna Dam, Bekaata Dam, and Balaa Dam when his political party took charge of the ministry. The last proposed dam was in the Bisri Valley.

The Bisri dam project, also known as the Lebanese Water Supply Augmentation Project, was supposed to be financed by the World Bank, the Islamic Development Bank, and the Lebanese government. The main purpose of the project was to supply clean water to more than 1.6 million people who reside in the Greater Beirut and Mount Lebanon regions. Gebran Bassil is the most notable proponent for the construction of this dam. As for the CDR, it is also a radical supporter

of the Dam knowing that the CDR is the institution that awarded the contracts for building the dam. However, according to Al Jadeed, the Italian contracting company (CMC) that was contracted to carry the water from “AlAwali” to Bisri announced its bankruptcy. Furthermore, the Kenyan minister of finance and the director of CMC were charged with financial crimes that include exaggerating the costs and the bills. The CDR announced that it is aware of the company’s bankruptcy and it avoided the contract with CMC on March 22, 2019. However, Rolan Nassour, the head of the Protection of Bisri Valley campaign, argues that the corruption charges of CMC started to appear in 2017. However, the CDR terminated the contract with the company in March 2019. Hence, between 2017 and 2019, the Lebanese state was paying for CMC knowing that it had announced its bankruptcy in 2017. Nassour asks: “What was happening before, where was the money of the Lebanese people spent?” Nassour suspects that the CDR is also involved in acts of corruption with CMC knowing that Kenyan finance minister was arrested in Kenya for corruption charges connected to a dam-building project with CMC, the same company that was supposed to build a part of Bisri dam (Reuters, 2019).

Regardless of the suspicious financial costs of building dams, environmental experts argue that dams do not suit Lebanon’s ecology. For example, Samir Zaatiti, a hydrogeologist, argues that 75% of Lebanon’s water resources are “underground”. Zaatiti contends that when science says that the Lebanese water storage is underground, a politician is not allowed to say that he wants to store water above the ground (Megaphone, 2020). Regarding the Bisri dam in specific, Zaatiti argues that building the dam is dangerous since the specified location is near a highly seismic area and the geology of the area is highly karstic. However, the CDR argues that there are no other proposed alternatives to supply water for the region. Furthermore, the CDR argues that any proposed alternative can’t satisfy the demand for water in Beirut and Mount Lebanon.

On July 29, 2020, Hezbollah's MPs Ali Ammar and Amin Cherry and Amal Movement's MP Mohammad Khawaja held a press conference and announced their support for building the Bisri dam. On the same day, Tony Nemer, Assistant Professor at the Department of Geology at the American University of Beirut, argued that the scientific studies that are being used to prove the potential benefits of the dam are missing and inefficient. Roland Riachi, an economist and associate researcher at the department of Political Studies and Public Administration at AUB, argues that building the dam in a highly seismic area can increase the risk of an earthquake similar to the one that happened in 1956. His report, titled as "Water Policies and Politics in Lebanon: Where Is Groundwater?" pointed to the sectarian and "muhasasa" system. Riachi (2016) argues that the irrigation and water schemes in Lebanon are supervised and implemented by CDR and the Ministry of Energy and Water. However, he argues that these two institutions are at the center of the "*muhasasa*" where all the appointments within these two institutions are based on the confessional power-sharing politics. Therefore, the water management schemes in Lebanon are also under the mantle of the confessional power sharing system which is a root cause for the water shortage in Lebanon. Furthermore, the report raised questions regarding the CDR as it "only reports to the Council of Ministers and does not fall under the control by the Court of Auditors and the Central Inspection" (Riachi, 2016, p:30).

If we zoom out the picture, there are two points of view regarding the dam. The supporters of the dam are Lebanese politicians and MPs that represent the Lebanese sectarian leaders. On the other side of the frame, there are geological experts who do not support building the dam and who propose other less costly and more eco-friendly alternatives. However, the CDR's views are in line with the politicians' points of view. As an autonomous institution, it is ironic that the CDR is opposing the opinions of experts. According to the mandate of the CDR, its board must include

experts that express their views independently. However, since the CDR has been seized by political elites, its scientific views are biased towards the views of these elites. In other words, the CDR has lost its autonomous decision making process which contradicts the main purpose of its formation.

The ministry of general planning was replaced by the CDR in order to avoid biased decision making that lies in the interest of political elites. However, the CDR has become a tool that's used by political elites. In the case of the Bisri dam, the CDR disregarded all the arguments of geological experts and the evidence that proves that building the dam is dangerous, in addition to its inability to supply the expected amounts of water. On the contrary, its views were in line with the FPM, Hezbollah, and Amal Movement's position. This also proves that the CDR has lost its autonomous decision making and has been transformed to an entity that facilitates the clientelism of political elites.

5. Conclusion:

Based on the above, we can reiterate that the CDR has been transformed from a state-building institution to an institution that implements neo-liberal policies. These policies work in favor of the political and economic elites in the Lebanese state. Instead of building a resilient infrastructure, the CDR's main objective has become generating income and accumulating profits for contracting companies. Hence, the post-war power sharing arrangement has not only granted the Lebanese political elites political power; moreover, it also granted them the power over economic resources of the state. Prior to the Taif Agreement, the CDR did not enjoy the powers it did in the post-Taif period. This is evident if we look at the political affiliation of its presidents before 1990 and after 1990. Before 1990, the presidents were close to the Prime minister; however, this relationship was not very clear and strong. However, as we move forward, the presidents of

the CDR became more publicly affiliated with the Prime Ministers, especially Hariri the father and the son. As for its budgets, according to Al Manar, the cost of the projects that the council executed between **1992** and 2019 was approximately \$19 billion. Hence, the CDR started executing the high-cost projects starting 1992, which is in the post-Taif period. Furthermore, as mentioned previously, the contract with Sukleen was signed in 1994. Hence, there's a common denominator for all the "questionable" costs and projects which is that they were all issued and executed after 1991 (Post-war period). The confiscation of the CDR converted it to an example that depicts the Lebanese consociational model. The main features of consociationalism are grand coalition, mutual veto, proportionality, and segmental autonomy. These features are clearly present in the internal structure of the CDR. Therefore, this hindered its independent decision making process, confiscated its autonomy, and transformed it into an income generator for the political and economic elites.

Karen: Excellent paper! The paper developed beautifully from the abstract to the final version. Lots of wonderful research and great insights. Bravo! 45/50!

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