LEBANESE AMERICAN UNIVERSITY

DOWNTOWN BEIRUT REBORN

By

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LEBANESE AMERICAN UNIVERSITY

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Introduction

After the fifteen years of war, Lebanon was faced with the problem of reconstructing its country at large and in particular, its capital Beirut. The once international center at the eastern front of the Mediterranean and the historical meeting point of the East and the West has been shattered during the period of armed conflict.

The aim of my study is to look at the forces, both governmental and private, that were involved in putting in motion the reconstruction of Beirut Central District (BCD) and mainly focus on the debate made around this reconstruction. Indeed, the reconstruction of the BCD has raised many questions. Why was the reconstruction mainly concentrated in the BCD? Why previous plans for reconstruction haven’t been adopted? Why owners of the land did not participate in the reconstruction? Did they receive any compensation? Who were the main actors behind this project? What was the cost of such a project? Should Beirut replace its old fabric with a new one? Should it conserve some old elements? Answering to all these questions will be the main part of my study.

In fact, this reconstruction was one of the most striking and interesting features of the post-war period because it was the primary focus of Lebanese political discourse and activity. The war had a devastating long-term effect on the Lebanese economy. Indeed, the most serious problem the Lebanese economy faced was the high debt burden accumulated.
This study is divided into six chapters:

Chapter one will provide a historical background on the position of Beirut Central District prior to the war and study the effects the war had on the city centre. It will also study the enactment of several specific laws from which originated law 117.

Chapter two examines the nature of the Lebanese government that was put in place to manage the economic reconstruction process and describe the problems that caused the failures of the two post-war Lebanese governments of Omar Karami and Rashid Solh. Some consideration is also given in this chapter to the background and rise of Rafiq Hariri.

Chapter three discusses the government’s plan for reviving the Lebanese economy, the Horizon 2000 programme and examines in details the role of the CDR, the most important institution in the reconstruction programme.

Chapter four focuses mainly on the debate on reconstruction.

Chapter five goes more into depth in analysing Solidere in details. We will focus on the cost of the reconstruction, the master plan and its execution and the profitability of Solidere among others.
Finally, chapter six reviews the present situation of the BCD, the criticisms that the Hariri government met with the opposition concerning Solidere and the effect of this reconstruction on the national economy and how this reconstruction contributed to the increase of the debt.
Chapter one

Beirut Central District prior and during the war

1. Historical review

The BCD enjoys a privileged location at the heart of Lebanon’s capital. As its slopes down towards the sea, it commands fine views of the Mediterranean, with a picturesque landscape of hills and mountains across the bay. The site of the Beirut Central District has been continuously “inhabited for over 5,000 years. Civilizations ranging from the Canaanite to the Ottoman have left their mark on an ever-growing, culturally rich and sophisticated city”\(^1\).

The BCD extends over 142 hectares out of 1,700 hectares of the area of Beirut. It spreads from the sea shore between the second dock of the Port of Beirut and Saint Georges Hotel reaching Avenue Fouad Shehab and bound by two parallel lines, the first from the Port to Tabaris and the second from Saint Georges Hotel to Holiday Inn Hotel. Due to its geographical location and proximity to the Port, it served as a center for most commercial and economic activities, as well as the seat for legislative and executive branches of the government\(^2\).

The BCD consisted of 1960 pieces of land, 61% of which is built on. The built up area amounted to 2.625 million square meters divided among various sectors: warehouses, housing, offices, shops and commercial establishments,

\(^1\) Encyclopedia Encarta, “Lebanon”, CD-ROM Microsoft.

and other sectors such as hotels, restaurants, parking, cinemas and religious institutions.

In 1974, the BCD included approximately 5043 residential units, housing around 25,000 inhabitants. Housing primarily consisted of lower to middle income groups, however, in the west part of the BCD upper income housing also prevailed\(^3\).

Moreover, the BCD was considered the best shopping area in Lebanon. It had 7092 shops catering to all levels of income and providing all kinds of merchandise.

Being the center of commercial and economic activities, the BCD provided the best location for businesses. It had 180 medical clinics and 5,597 offices of different businesses such as government offices, financial institutions, banks, insurance companies and others.

Also, due to its proximity to the Port, the BCD included 702 warehouses constituting a large portion of its area. Warehouses were associated with activities of shops and other commercial establishments. The average port warehouse had an area of fifteen thousand square meters.

Finally, the BCD was more of a commercial center than an industrial one. It only had 1,368 licensed small-scale establishments employing seven workers or less; a total of no more than eight thousand employees. They mainly produced clothes, shoes and leather products, and artisan works\(^4\).

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\(^3\) op.cit, p.12.

\(^4\) Interview with Solidere General Manager, Mounir Douaidy, April 2003
1. The emergence of new centralities

The city center at the start of the 1975-1990 war was a "composite urban spatial production made of the juxtaposition of late Ottoman, French Mandate, and Independence-period buildings". The center was a mixture of traditional commercial spaces composed of souks, or markets, which also harboured aspects of the city's informal economy, and more structured but outdated shops and offices, especially in the French Mandate area built between the late 1920s and 1935, or the Ottoman-period buildings on the Place des Canons. All of this area was linked to the general activity of the nearby port. The center was also "the locus for the political apparatus, with the Grand Sérail and the Ministry of the Interior, the Parliament building and other strategic ministries, police headquarters, and official departments". It was, lastly, the location of second-rate entertainment, with its declining cinemas, theatres, and bordellos. Here were also concentrated the headquarters of the main banks and insurance companies, the main offices of the larger import-export businesses and airline companies. The whole area was slowly being remodelled by new investment, the tearing down of old buildings and their replacement by large complexes indicating that the area was slowly being redirected toward new functions, especially offices. The city center was perceived as a slowly declining space, but of great symbolic centrality: the Place des Canons and its statue, the souks,

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5 http://www.solidere.com.lb


and especially the three mosques, the Greek Orthodox, the Greek Catholic, and Maronite cathedrals, as well as the close proximity of the evangelical Latin church and the synagogue. It was also the main transport terminal (buses and "service" taxis to all parts of the country and the Middle East). As a whole, it was the physical expression of Lebanon's economic and power structure: on one hand, the urban heritage of an economy linked to the port and thus to Europe; on the other, a nearly complete absence of the state in the economic workings of the system, a situation put in place and defended by the country's politicians.

The power apparatus reflected the subtle balance between the two different religions; however, it also reflected the total absence of a Lebanese ideology capable of producing, in the long run, a nation. This aim was neither important nor necessary: the profits generated by the position of Beirut in an unstable Middle East, the satisfaction of the Parliament, the easygoing way of life of the bourgeoisie in power, the protection offered by the West—all made any effort toward that goal unnecessary between the 1950s and late '60s. The cityscape illustrated the absence of any urban planning whatsoever, and the dominance of private decision-making processes and investment.

However, the city center had been slowly marginalized by the spectacular development of a second center: Hamra. This first "modern" quarter of the city, built in the early 1950s with Lebanese and Palestinian capital, was used for dealing with the new post-war regional economy linked to the American

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8 Fisk, Robert, *Pity the Nation: Lebanon at War*, Oxford University Press, p.23

presence in oil-producing states of the Gulf. Hamra was the residential and recreational center for foreign companies, and many thousand ex-patriots. In a sense, it was more of a new centrality than a duplication of the old city center. Hamra was not a political center (only the state radio and Central Bank were located there, for reasons other than a quest for centrality), although it was the meeting place for local and Arab politicians and intellectuals. It had the largest concentration of cinemas and hotels, but hardly any religious edifices of any real symbolical nature\textsuperscript{10}. The population was younger than the general average of the city, “Westernized”, “modern”, cosmopolitan, and politically nonconservative. Through its architecture and life style, it also perfectly illustrated the absence of the state in the urban sites required for the reproduction of capital. Hamra could be described as the steppingstone of the Western economy toward the hinterland. It was part of the mechanism that enabled the U.S. and European economies to monopolize the markets of the area and to guarantee the exclusion of East European and Soviet influences. Here, space had the double importance of being necessary for Western capital, while simultaneously geographically strategic. It was morphologically, socially, and politically quite different from the old center, which was anchored in pre-World War II economic and political logic; Hamra was more a part of the U.S.-dominated economy of the post-war period, and its population and functions showed it. It was also this space that gave all of Lebanon its reputation as being westernized and worth defending against the aims of pan-Arab, socialist, or communist ideals, which aimed at larger spatial entities.

\textsuperscript{10} Encyclopedia Encarta, “Lebanon”. 
2. Destruction of Beirut

The cost of the fifteen years of war was very high and severely weakened Beirut. The value of the damage to the city is estimated to be at least $25 billion\(^{11}\). The international airport, sewer systems, electrical grid, and telephone lines were destroyed. More important, at least 170,000 people lost their lives in the hostilities, 300,000 were injured, and thousands remain listed as missing\(^{12}\).

Much of the Lebanese conflict was an urban war, fought in the streets and boulevards of Beirut. Approximately 180,000 of its housing units were ruined, and 180,000 were badly damaged. The destruction left an “estimated 300,000–500,000 people homeless or displaced, forced to live either with relatives or amid shattered buildings”\(^{13}\). With the city destroyed, many of Lebanon's highly skilled professionals left to work in other countries. Estimates of the number of expatriate Lebanese range from 500,000 to 800,000 persons, but there is no accurate count. When they left Lebanon these expatriates took with them an estimated $10 billion in capital\(^{14}\).

Beirut was literally a battleground during much of the civil war. At the onset of hostilities in 1975, nearly half of the country's population of 3 million lived in the city. By 1992 its population had dropped to an estimated 300,000 as

\(^{11}\) Ibid, p.10.

\(^{12}\) Ibid, p.11.

\(^{13}\) Basilico, op. cit, p.20.

\(^{14}\) Missir, op. cit, p.35.
residents fled to other cities in Lebanon or overseas\textsuperscript{15}. The old city center, anchored by Martyrs' Square and divided by the green line, was most severely damaged by the war. Nabil Beyhum noted that as the center, one of the most devotionally mixed areas of the city, was demolished, "a shift in the center of gravity to the outskirts"\textsuperscript{16} took place, with residents moving into the religiously homogeneous suburbs. The result of the shift into what Beyhum termed "single community ghettos"\textsuperscript{17} further fragmented the population along sectarian lines. A particularly significant aspect of the destruction was the loss of common spaces, areas that had been shared by members of all sects. Located in the old section of the city, these areas had brought together groups to transact business and for social opportunities. Moreover, the old souks (markets) were destroyed, as was the more upscale Hamra commercial district.

3. Enactment of law 117

The Beirut Central District being damaged, a solution had to occur. What was needed was a well-balanced and comprehensive solution, which would preserve the city center's heritage while providing it "with the means to operate as a modern city with a vision to the future"\textsuperscript{18}. It was, therefore, necessary to find a legal solution based on laws governing real estate

\textsuperscript{15}Basilico, op. cit, p.221.

\textsuperscript{16}Beyhum, Nabil. Reconstituer Beyrouth, Le Pari sur le Possible. Maison de l'Orient, Etudes sur le Monde Arabe, p.44.

\textsuperscript{17}Ibid, p.44.

\textsuperscript{18}"Law 117", http://www.export.com
companies, whereby real estate proprietors and owners of rights are granted an essential role in the reconstruction process.

The concept of establishing real estate companies to develop a specific zone is not new but dates back to 1962. Article 19 of the law on Urbanism of September 24, 1982 sets the general framework for such type of companies. On January 29, 1965 decree No. 959 was promulgated, governing the provisions of forming, operating and managing real estate companies. “On July 7, 1977, legislative decree No. 106 was issued amending the provisions of the above-mentioned article 19 and included tenants among the shareholders in such kind of real estate companies”\(^\text{19}\). Also, on the same date, legislative decree No. 107 was promulgated providing for the layout of one or more zones in the city center through real estate companies.

Both decree No. 1163 and decree No. 83 issued in 1978 and 1983 respectively approved a Master Plan and “a general layout for the reconstruction of the city center and provided for the establishment of real estate companies for the Saifi and Ghalghoul areas”\(^\text{20}\).

The legislation reveals that these companies include the owners of the real estate properties in the areas concerned as well as the owners of rights, and grants them shares in return for their contributors in kind.

The concept of a real estate company for the whole city center emerged out of this historical perspective, bringing together proprietors and tenants into a

\(^{19}\) Ibid

\(^{20}\) Ibid
partnership with the private sector, which “will provide the necessary capital to restore the infrastructure, to carry out repairs and reconstruction, and to find a solution to the refugee problem”\(^{21}\). To this end, law No. 117 of December 7, 1991 was promulgated. The Lebanese Parliament ratified Law 117 during 1991\(^{22}\).

It made possible the creation of joint-stock companies consisting of investors and property right holders including owners, tenants and leaseholders, whose task is to reconstruct and rehabilitate areas affected by the war. Law 117 is “based on a set of legislative treasures pertaining to urban renewal adopted in early 60s”\(^{23}\).

Law 117 is destined to three tasks. First, it resolves the complex of legal rights of owners versus tenants and leaseholders regarding real estate property. Second, it offers property right holders a leading role in the reconstruction process.

Third, it secures the funds for the execution of the infrastructure and the rehabilitation, reconstruction and restoration process\(^{24}\).

After ratifying law 117 by the parliament, law 117 by the parliament, the Council of Development and Reconstruction was asked by the Lebanese government to take the necessary action to establish a joint-stock company for the development and reconstruction of Beirut Central District. As a result, the

\(^{21}\)Ibid


\(^{23}\) “La Reconstruction de Beyrouth”, [http://www.univ-mlv.fr](http://www.univ-mlv.fr)

\(^{24}\) Ibid, p. 2.
Lebanese Company for the development and Reconstruction of BCD known as 
“SOLIDERE” was established.
Chapter two

Primacy of the economic reconstruction

The rebuilding project was not, of course, imagined ex nihilo. Ever since the many cease-fires of the civil war, from 1975 onward, plans were drawn up to either rehabilitate the city center or to rebuild it. In all cases, the aim was to restore the area's centrality at all levels: the local (the city's centrality), the national (the primarily space for the control and management of the country), and finally, the regional (Beirut as an irreplaceable interface between the Arab and Western economies).

1. Precursors of the Master Plan

The planning of the Beirut Central District should be viewed in the context of Beirut’s previous planning history.

The French Mandate had brought with it modern concepts of city planning and the first plan for Beirut—the “Plan Danger”, drawn up in 1932. It “prescribed major circulation routes, zoning, densities and public open space”\textsuperscript{25}. Although not the origin of the concept, the Plan Danger promoted opening the Bourj axis from Martyrs’ Square to the inner basin of the Beirut port. The avenue to the sea is a common theme along Mediterranean cities and, in the form of the Bourj axis, has been many years in the making in Beirut\textsuperscript{26}.

\textsuperscript{25}Beyhum, op.cit, p.2.

\textsuperscript{26}Ibid, p. 2.
Attempts at reconstruction planning were started during the early period of the war itself. They were at least three major attempts made to plan for the reconstruction of the area. It is worth noting that during the entire war in Lebanon, fighting virtually did not cease in Beirut. While other parts of the country were affected by fighting, in general, it was for relatively shorter periods of time. Although destruction was more significant in parts of the mountains, and more recurrent in South Lebanon, relatively speaking it was both more continuous and regular in the Beirut area. The old city center and the demarcation line between East and West Beirut were the most severely damaged areas of the capital.\footnote{http://www.solidere.com.lb}

At the same time, however, on the periphery of Beirut new development, equal if not greater in size than that of the area destroyed, took place. This led to a shift in the city’s center of gravity to the outskirts. The sociological pattern integrating Beirut’s public spaces at the center was seriously undermined by the rise of single-community ghettos in the suburbs. The city was “divided into several unconnected islands, and neutral spaces were either annexed to these islands or destroyed”\footnote{Kaisy, Hussam Nizar. Financial and Legal Aspects of Solidere, p. 14.}. Local public bodies, too, were attached to these territories, dismantled and deprived of their resources, or divided, thus limiting their efficiency. The population was increasingly marginalized by the war, isolated in its domestic spaces, and was an economic crisis lasting longer than
the era of the militias; although the latter disappeared, the economic and social legacy they left behind remained.

The Master Plan of 1978 was prepared for the Municipalite of Beirut by the Atelier Parisien d’Urbanisme (APUR) following the 1975-76 conflict. The APUR Plan was founded on planning theories and practices that prevailed during the previous decade, and “concentrated on investment in heavy engineering infrastructure with little planning intervention envisaged elsewhere”²⁹.

Influenced by urban “culturalist” models, French architects in charge of the project offered a minimalist vision of reconstruction, preserving the traditional style of the area to be rebuilt, while favouring solutions to pre-war problems, which made access to the city center difficult. The intervention of planners was reduced to a minimum, and was limited to public transportation and road networks. From an architectural standpoint, this intervention varied enormously according to the areas, and focused more on regenerating public spaces than intervening in private property³⁰.

The road network of the city center was reorganized in such a way as to allow access to the maximum number of people during the day (average speed did not exceed 10 km/hour during the pre-war period). The plan’s first novelty was an underground road going from east to west and bordering the coastline. Although highly expensive, the construction of this road would nevertheless have spared expenditures on other infrastructures, and would have offered a solution to the problem of traffic jams. Two additional roads from south to

²⁹ Beyhum, op.cit, p.2.
north and backing up the Fouad Shihab flyover were to complete the first. This system was intended to organize transportation more efficiently. The plan also promoted public transportation.

As to the rehabilitation of buildings, the plan divided the city center into seven different sectors, each requiring different types of intervention. The nature of these interventions was meticulously delineated by sector, and any change affecting the height of buildings, their style, and their surroundings was controlled. The essential thrust of the plan was made clear in the fact that 75% of the buildings were to be returned to their previous state in an effort to safeguard the cultural memory of the city. Thus, the traditional souqs, grouped into two big islands west of Martyrs Square, and the Tawileh, Ayyass, and Jamil souqs were to be rebuilt exactly as they had been31.

The main criticism, which was levelled at the project, was that the different religious monuments were to be highlighted by small squares and gardens surrounding them. The religious endowments or waqfs, to whom these grounds belong, would have preferred to use them for commercial purposes32. As a whole, however, this plan could be described as “gradualist and basically conservative on the cultural level, although it left a wide margin for individual initiative”33. A few minor and limited interventions were anticipated through the regrouping of property and the creation of two real estate companies in the Ghalghul and Saifi areas. Thus, the plan met the need for limited public intervention, although certain individuals believed at the time that even this

32 Ibid, p.45.
33 Missir, op. cit, p.5.
minimal intervention was excessive. The plan did, however, rely on public authorities to arbitrate matters and build up infrastructures.

The aggravation of the destruction of the old city due to the effects of weather and neglect, the weakening of a national political consensus, and the exhaustion of small private actors made the implementation of this plan quite difficult; as a result, it became necessary to update it. Nevertheless, no new plan for the old city center was conceived before the 1990’s, even if some minor planning, which never came to fruition, was attempted.\(^{34}\)

In 1986, during a truce period, a Master Plan for the Beirut metropolitan region was prepared by the Institut d’Amenagements et d’Urbanisme de la Region d’Ile de France (IAURIF). The plan sought to “foster a new urban equilibrium, re-establishing the Central District as the major pole of activity and restructuring a new hierarchy of secondary centers in a coherent metropolitan region”\(^ {35}\).

In this respect, it was not, strictly speaking, a reconstruction plan. At the time the plan was prepared, “only 40,000 of the 300,000 apartments in the metropolitan region of Beirut were damaged or considered too dangerous to live in because of proximity to a demarcation line”\(^ {36}\). The plan principally proposed a reorganization of traffic networks and the restructuring of the central system, leaving most of the reconstruction to private initiative once

\(^{34}\) Beylum, op. cit, p.43.

\(^{35}\) Ibid, p.44.

\(^{36}\) Missir, op. cit. p.8.
peace had returned. The objective was simply to manage the exceptional growth of the suburbs by organizing a return to the center of Beirut.\(^{37}\)

Finally, it was the very last project that was adopted, the 1991 plan. It, however, posited requiring neither rehabilitation nor rebuilding, but a “refunding of only the city center so as to make it not only the symbol of a reborn Lebanon and a central place for the economies of Arab countries, especially the Gulf’s, but also a space perfectly adapted for a new role, that of being one of the strategic spaces of the global economy.”\(^{38}\) This project, from the very start, provoked enthusiasm among many categories of Lebanese. They saw the rebuilding of Beirut as proof that the war was really over, that the country would return to a normal state in a modernized city; the economic sectors welcomed the movement as it would redirect flows back to Beirut, away from the other cities that had benefited from the exodus of Lebanese capital and know-how; the political sector saw in it a consolidation of state power, sometimes confused with their personal power, and the definite demise of the militias. Briefly, it would be through the rebuilding of Beirut’s city center and its boomerang effect on the local and regional economy that general prosperity would be produced, which, in turn, would produce, then consolidate reforms in the country’s political and economic system. Through the rebuilding of the main urban centrality, the country would once again be a driving force of the Arab Middle East, and a very serious competitor for any other pretender

\(^{37}\) Ibid, p.9.

in the area, Arab or otherwise\textsuperscript{39}. "Al-Balad Machi" ("The country is moving" as the once-popular slogan stated) meant that Beirut strove to stake a place in the world economy as the unavoidable relay-city in the Middle East, while cementing the national front. "Democracy would thrive as an example for other countries in the area, confessionalism would decline, social rights would be affirmed, and a new Homo libanicus would emerge"\textsuperscript{40}.

2. Challenges of the two post-war governments

In the late 1980s, Lebanon experienced a political crisis when the leaders of various militias and foreign powers failed to agree on the election of a new president for Lebanon. Two rival governments were set up, both claiming to be the legitimate government. One was set up by Salim Hoss and dominated by the Syrians, and the other was led by the anti-Syrian Lebanese General Michel Aoun. This dual government system remained in place during the end of the war in the autumn of 1990. The political crisis, combined with the heavy fighting, prompted the international community to seek an end to the conflict. A series of Arab mediation efforts came to fruition in the form of the Taif Accord. The Accord, negotiated by Lebanese parliamentarians in Taif, Saudi Arabia, under the auspices of the Arab League, brought a formal end to the

\textsuperscript{39} Ibid, p.11.

civil war. The key aspect of the agreement was that it established the principle of Muslim-Christian political parity\textsuperscript{41}.

On 24 December 1990, a new Lebanese government was formed, led by Prime Minister Omar Karami, and referred to as the “government of national reconciliation”. The cabinet was the largest in Lebanon’s history comprising 30 ministers divided equally between Christians and Muslims\textsuperscript{42}.

It was under the Karami government that post-civil war plans for Lebanon’s reconstruction were initiated. However, little progress was made and it was widely recognized that the Lebanese government’s commitment to the project was not particularly serious. Many attributed this failure to the lack of available financial resources and to the inability of the government “to act and implement efficiently a large program after 15 years of war”\textsuperscript{43}. The government was seen more as an impediment to the economic reconstruction than as a key initiator. Much of the aid promised by international donors was held up because of the government’s failure to produce a coherent economic policy. Therefore, Karami resigned because of overwhelming popular pressure that wanted him to leave.

On 13 May, Rashid Solh was asked to form the next government of Lebanon. Solh, who was Lebanon’s prime minister when the war broke out in 1975, had a reputation for being moderate and conciliatory politician. However, critics have pointed out that Lebanon needed a dynamic leader and that he had

\textsuperscript{41} Encyclopedia Encarta, “Lebanon”.

\textsuperscript{42}“Reconstruction du Liban”, http://www.abourjeily.com/francais/libanreconstruction2.htm

\textsuperscript{43} Ibid
nothing new to offer. He announced that the primary concern of his government would be "to tackle the economic crisis and to heal divisions in Lebanese society"\(^{44}\). Indeed, the announcement of his cabinet on 16 May confirmed the critics' belief that little had changed. Fifteen of the 14 men appointed to the new cabinet were from the previous cabinet\(^{45}\).

The Lebanese daily al-Anwar stated that the Solh government was the same as the one "that approved excessive public spending that was incapable of boosting revenues and that failed to inspire confidence abroad"\(^{46}\). Therefore, the Solh government was also doomed to failure.

Syria, who has a major control over Lebanon politics, did not want to repeat the same problems they had to face with the Karami and the Solh government.

The Saudis' support for Hariri played an important part in the appointment of Hariri. As will be explained below, Hariri was very close to the Saudi leadership and represented Saudi political interests in Lebanon. In fact, the Saudis had been pushing for the appointment of Hariri as prime minister since at least the early 1980s\(^{47}\).

3. Rise of Hariri

Before further examining how much Hariri participated in the reconstruction of the central district, it would be useful to survey a little about his background.

\(^{44}\) Ibid

\(^{45}\) Ibid

\(^{46}\) Najem, op. cit, p.37.

\(^{47}\) Encyclopaedia Encarta, "Lebanon".
Rafiq Hariri was born into a poor family in 1944 in Saida. At the age of 22, he moved to Saudi Arabia where he worked first as a teacher and then as an accountant for the French construction company, Oger.

In the 1970s he established a subcontracting firm. He had formed a close relationship with King Fahd of Saudi Arabia (then Crown Prince Fahd) by building the Ta‘if Massara Hotel in only six months to host an Islamic summit meeting. From 1979 until he became prime minister in 1992, Hariri built up a vast worldwide network of business interests ranging from banks to real estate companies⁴⁸. “His fortune as at 1992 was estimated at between $3 and $4 billion”⁴⁹.

In Lebanon, Hariri gained a reputation for his philanthropic achievements. Over the same period his Hariri foundation granted over 20,000 scholarships to Lebanese students⁵⁰.

By using his enormous financial resources, Hariri was able to acquire considerable political influence.

Hariri’s name in Lebanon was closely associated with various economic plans to rebuild the country. In 1982 his company, Oger-Liban, played a role in clearing debris in Beirut. In 1983, he was ready to bankroll a planned

⁴⁸ “Hariri”, http://www.rhariri.com


⁵⁰ Najem, p.44.
reconstruction of Beirut and Oger-Liban began the process of restoring numerous buildings. However, continued violence put this on hold\textsuperscript{51}.

Hariri was considered to be the main player behind the 1991 plan to rebuild Beirut city centre, designed by the consultants Dar-al-Handasah and Bechtel. Hariri’s appointment was greeted with tremendous enthusiasm by most Lebanese. Within days, the value of the Lebanese currency soared by 15\% as a mood of optimism swept the country. Hariri, who had close contacts in the United States, Europe, and the Arabian Gulf, also inspired greater confidence abroad\textsuperscript{52}.

Hariri promptly declared that he would restore Lebanon’s pre-war position as a regional business and finance hub. Lebanon, he said, would become the “Singapore of the Middle East”\textsuperscript{53}. In an effort to attract foreign and expatriate capital, Hariri slashed income and corporate taxes to a flat 10\% and borrowed billions of dollars to rebuild the economic infrastructure of the country. It soon became evident that Hariri’s reconstruction plan, called Horizon 2000, would “focus on rebuilding Beirut at the expense of the country as a whole, prioritize the financial sector over agriculture and industry, and emphasize the development of physical infrastructure rather than human capital”\textsuperscript{54}. Proponents of this plan argued that a revitalized financial sector would become an engine driving economic growth for the entire country.

\textsuperscript{51}Ibid. p.45.

\textsuperscript{52}http://www.meib.org

\textsuperscript{53}http://www.abourjeily.com/francais/liban/reconstruction2.htm

Hariri approached this daunting task in much the same manner as he conducted his private business affairs. Several key business associates of the prime minister were given high-ranking positions in the new government. Fouad Siniora, the chief financial officer for Hariri's business empire, was appointed finance minister. One of his company's lawyers, Bahij Tabbara, became justice minister. Riad Salameh, who had handled Hariri's account at Merrill Lynch, was appointed head of the Central Bank. The new governor of Mount Lebanon, Suhaib Yamut, had previously been in charge of the prime minister's business interests in Brazil. Farid Makari, the vice president of Saudi Oger, later joined Hariri's cabinet as information minister.\textsuperscript{55}

The Company for the Development and Reconstruction of Beirut's Central District (commonly known by its French acronym Solidère), in which Hariri is the primary shareholder (10%), expropriated most property in the central business district of Beirut, compensating each owner with shares in the company (which, in some cases, were worth as little as 15% of the property's value).

During his tenure in office, Hariri became Lebanon's largest real estate owner and developed a penchant for purchasing historical landmarks and estates belonging to prominent Lebanese historical figures. The mansion of Lebanon's first president, Beshara al-Khoury, was bought by Hariri and converted into a studio for his Future Television station. He also bought a mansion belonging to former president Camille Chamoun. Hariri's own residence in Kraitem was once owned by the late Najib Salha, a prominent Lebanese business and social

figure. The Kazan Center in Beirut was bought by the prime minister and turned into the headquarters of his Mediterranea Bank. Economic growth initially rebounded (reaching 8% in 1994), inflation fell from a previous high of 131% to 29%, and the Lebanese pound stabilized. However, the fruits of Lebanon's brief economic boom were restricted to the upper class and over a quarter of the population continued to live beneath the poverty line. “Catering to the privileged class of commercial elites and pro-Syrian former warlords who exercised influence in Lebanon, the government slashed social expenditures and public sector wages, while opposing labor union demands for wage increases.”

Increasingly, the government resorted to coercion in order to silence criticism of the growing inequity that resulted from Hariri's policies. The government banned public demonstrations in 1994 and relied upon the Army, which had now enlarged to 45,000 men, to enforce the decree. In July 1995, a general strike which looked set to start a repeat of the 1992 disturbances was easily suppressed by the advance deployment of army units in the streets of the capital. When the unions called two general strikes in 1996, security forces again cracked down heavily.

In return for a relatively free hand in economic matters, Hariri cooperated with Syria's drive to consolidate its control over Lebanon. Under the guise of "regulating" the audiovisual media, the regime placed control of all major television and radio stations in the hands of pro-Syrian elites. Supporters of

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56 http://www.meib.org

57 Ibid

58 Ibid
Aoun were perpetually harassed and detained, while the Lebanese Forces (LF) movement was banned and its leader, Samir Geagea, imprisoned.

By 1998, however, the Lebanese economy was on the verge of catastrophe. As a result of Hariri's freewheeling public spending and rampant government corruption, Lebanon's national debt had soared from $2.5 billion to $18.3 billion, the largest per capita public debt of any emerging market (debt servicing accounted for 40% of the government budget). Economic growth slowed from 8% in 1994 to fewer than 2% in 1998. External and internal forces contributed to Hariri's ouster.

Afterwards, the new Hoss administration launched an "anti-corruption" campaign that targeted appointees and political allies of the former premier, while the state-run media relentlessly sought to discredit the billionaire. However, the Syrians ordered President Lahoud to abruptly halt the anti-corruption drive after it became clear that the investigations would risk exposing the illicit activities of Maj. Gen. Ghazi Kanaan, the head of Syrian military intelligence in Lebanon, and other high-ranking Syrian figures. Lahoud, who depended on the anti-corruption campaign to bolster his public support, reportedly met with Bashar Assad and asked him to replace Kanaan with his brother-in-law, Maj. General Assef Shawkat. Assad, however, was unwilling to risk such a shake-up\textsuperscript{59}.

Over the next two years, the initial wave of cautious public support for the Lahoud/Hoss administration dissipated as the country descended into economic recession. In the fall of 2000, the Syrians began rebuilding their

\textsuperscript{59}Najem, p.40.
bridges with Hariri in advance of the 2000 parliamentary elections. After the construction tycoon and his political allies triumphed at the polls, Hariri was again appointed prime minister.\textsuperscript{60}

Hariri's second tenure in office began, not surprisingly, with much less public fanfare than his first. The economic crisis that had hit Lebanon left little room for optimism and the prime minister had long ago shed his image as an economic miracle worker.\textsuperscript{61}

On the other hand, the depth of Lebanon's economic crisis has generated intense pressure on Hariri from the IMF and World Bank to undertake much-needed economic reforms and the prime minister has pledged to reduce the size of the government's bloated bureaucracy, privatize inefficient public sector industries, and cut government spending. There is also a strong consensus within the political establishment with regard to economic reforms.\textsuperscript{62}

\textsuperscript{60} Ibid, p.41.

\textsuperscript{61} Encyclopædia Encarta, “Lebanon”

\textsuperscript{62} Ibid
Chapter three

Reconstruction process

The plan of action of the Hariri government to restore the Lebanese economy was set out in a programme that came to be known as “Horizon 2000”, which was to dominate the Lebanese political discourse for most of the 1990s.

1. The government’s stated objectives, Horizon 2000

As a direct result of the war, the Lebanese population became poorer and the middle class disappeared. Damage to Lebanon’s infrastructure was extensive as we said earlier. Something had to be done.

In a speech to the Lebanese parliament on 9 November 1992, Hariri outlined the most pressing issues on his government’s agenda. While stressing the point that Lebanon’s economic fortunes rested with the private sector, he gave details of his government’s strategy to help facilitate economic reconstruction. This included plans and policies to rebuild the infrastructure, to ensure macroeconomic stability, and to introduce institutional reforms intended to maximize economic productivity.\(^{63}\)

2. Origins and contents of Horizon 2000

Because the Horizon 2000 was the target of much criticism as a personal project of Hariri, and therefore, a programme motivated to some extent by his own private agenda, it is important to establish that the entire plan was not

\(^{63}\) Najem, p.57.
developed in a vacuum during a relatively short period of time by a small group of experts working for Hariri. In fact, the plan incorporated elements from a combination of several earlier plans and studies, some of which may have originated as far back as 1978.\textsuperscript{64}

After the first wave of hostilities ended in late 1976, the government set up on 31 January 1977 the Council for Development and Reconstruction (CDR) giving it the responsibility of preparing a general plan for the development and reconstruction of the country. In spite of the renewal of violence, the CDR inaugurated a reconstruction plan in December of 1978, which basic aim was to restore the infrastructure to its pre-1975 level. It did not include a definite timetable for the reconstruction projects, and, because of the continuing violence, many of the projects had to be postponed in any case.\textsuperscript{65} During the course of the war, additional damage occurred in virtually every sector. In the aftermath of the 1982 Israeli invasion of Lebanon, the CDR, in consultation with the ministries, assessed the additional damage to each sector and accordingly developed a new reconstruction plan in 1983. Like the 1978 plan, its general aim was to restore Lebanon’s basic facilities to their pre-1975 level, but did not lay down a specific timetable for its implementation. Again, continuing strife limited the implementation of the programme.\textsuperscript{66}

Following the end of the war in 1990, the Lebanese government once again began the process of rebuilding the country. As with previous attempts, the government entrusted the CDR with the task of drawing up a plan for the

\textsuperscript{64} CDR", [Website URL: \url{http://www.cdr.gov.lb}]

\textsuperscript{65} Interview with Solidere General Manager, Mounir Douaidy.

\textsuperscript{66} Beyhum, “The crisis of urban culture”, p. 47.
recovery process. In May 1991, the CDR commissioned International Bechtel Incorporated and Dar al-Handasah consultants to undertake studies for the reconstruction and development of Lebanon. The first phase of the study, which was intended to prepare a priority programme, was conducted over a four-month period and was based on a “first cut” appraisal of available information. “Identification of the individual projects in the priority programme was largely based on secondary information including existing information held by various government ministries and departments, extensive discussions with officials and other secondary sources”\textsuperscript{67}. The priority programme was divided into fifteen sectors and included 126 projects to be completed in a three-year period (1993-5). The aim was to restore the capacity of Lebanon’s infrastructure to its 1975 level or, where appropriate, at the maximum level since 1975. The Lebanese government adopted the Bechtel-Dar al-Hadassah plan in April 1992\textsuperscript{68}.

In December 1991, the priority programme was presented to international donors at a meeting convened in Paris by the World Bank. The Commission of the European Communities then provided “the funds for the preparation of studies to assess the damage to key infrastructure sectors including electricity, telecommunications, water supply, waste water and solid waste”\textsuperscript{69}. The results of these studies, combined with further consultation from at least three World Bank missions to Lebanon during 1992, led to the upgrading of the priority

\textsuperscript{67} Recovery plan: phase one, volume one: Executive Summary, CDR, 1991.

\textsuperscript{68} Ibid

\textsuperscript{69} CDR, Horizon 2000 for Reconstruction and Development, p.19.
programme, which is became to be known as the National Emergency Reconstruction Programme (NERP)\textsuperscript{70}.

The Horizon 2000 plan introduced by Hariri's government in April 1993 did not block the implementation of the NERP, but it integrated the NERP in its entirety.

Moreover, once the components of the plan identified, the CDR estimated the cost for each of the projects, a timetable for their completion, and the ability of the government to finance the programme.

The plan may be separated into two phases, a reconstruction and a development phase. Much of the reconstruction phase was supposed to take place during the first three years of the programme and it consisted of the entire NERP project (1993-5) and the Parallel Programme for Recovery and Development (PPRD).

The cost of Horizon 2000 was estimated at $11.672 billion at constant 1992 prices. Of this amount, $10.212 billion was allocated to physical investment. Some $270 million was “allocated to non-physical investments related to institutional strengthening, programme planning and implementation support, and $1.190 billion was allocated to the support of the private sector through grants and credits”\textsuperscript{71}.

When counted in current prices over the Lebanese government, the CDR estimated that the plan would cost the Lebanese government approximately $18.4 billion.

\textsuperscript{70} Ibid

\textsuperscript{71} CDR, Horizon 2000, p.8-9.
The government expected funding for the project to originate from three sources. The first and most significant source was supposed to be budget surpluses that the CDR believed would materialize in 1996. Budget surpluses were expected to amount to $8.7 billion, or 47 per cent of gross financing requirements over the Horizon period. The second major source of financing was to originate from foreign currency borrowing, which was supposed to contribute $4.9 billion, or 34 per cent of the public recovery programme. The third source was expected to be in the form of foreign grants that were to account for 6 per cent of financing and from receipts of interest and principal repayments under the credit support programme that were to contribute 4 per cent.22

As we said earlier, “Horizon 2000” actually consists of securing, over the period 1995-2007, a cumulative volume of public investments of $18 billion. These investments are estimated according to an econometric simulation model to generate during the same period in the private sector investments of $42 billion. These investments are expected to maintain an average annual GDP growth rate of 8 per cent. This in turn should raise Lebanon’s income level to the upper limit of the middle-income countries.

A debated issue is the impact of these investments and growth rates on the macroeconomic balance, on the equilibrium of public finances and on the stability of the national currency. The government estimates that the indebtedness will grow, but all the time in a manageable manner and even in the highest point to an acceptable level, during this decade. By the year 1998

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22 Ibid, p.15.
the government anticipated the public budget equilibrium to be attained and from that year onwards the budgetary surpluses will be used for further investments and debt servicing\textsuperscript{73}.

According to the World Bank and many of the local economists the public rehabilitation programme was dangerously over-ambitious and the priority set up ill founded. Because of its large size in comparison with the country's resources it will endanger the macroeconomic stability and thus the internal and international confidence. That would in turn lead to highly unfavourable consequences in all sectors of society.

The World Bank suggests a core programme consisting only of the projects of the sectors of highest priority. The core programme would amount to about half of "Horizon 2000".

In additions to the above remarks some experts blame "Horizon 2000" of being too concentrated on the rehabilitation of the physical infrastructure. The enormous social problems are not properly reflected in the programme\textsuperscript{74}.

3. International support for Horizon 2000

During the war, few Westerners would travel to Lebanon for fear of being kidnapped or killed, a possibility that would further add to Lebanon's isolation from the rest of the world. Even as late as 1989, foreign governments seemed to be resigned to the prospect that Lebanon would remain unstable indefinitely

\textsuperscript{73} CDR, Horizon 2000, p.55.

\textsuperscript{74} Ibid, p. 9.
and were therefore simply interested in preventing the conflict from escalating beyond its borders.

It is only a few years after the end of the war that the level of foreign participation in the rehabilitation of Lebanon’s road network and other infrastructural projects became the subject of enquiry.

The extent of international involvement in the reconstruction programme can be observed on at least five levels: external funding for the recovery programme; the role of international companies; the reinstatement of coverage by export credit agencies; the number of visits by Western government and business delegations to Beirut and international investor interest in Lebanese government Eurobonds\textsuperscript{75}.

The authors of Horizon 2000 expected external grants and loans to fund about 40 per cent of the total programme. This amounted to the foreign aid that was received by the Lebanese government during the first four years of the programme\textsuperscript{76}.

A number of countries and several international organizations, aid agencies and commercial banks provided both grants and loans for the recovery programme. In total, over 20 bodies pledged $3.1 billion by 30 September 1996 for completed, current and future projects\textsuperscript{77}.

The World Bank contributed 17 per cent of the total, the largest amount of any foreign source. The other main donors included European Investment Bank (13 %), the Arab Fund for Economic and Social Development (12%), Italy (11 %),

\textsuperscript{75} \textit{CDR, Horizon 2000 for Reconstruction and Development.}

\textsuperscript{76} Ibid

\textsuperscript{77} CDR, Progress Report, October 1996, p.77.
France (9 %) and the Kuwait Fund for Arab Economic Development (6 %) and Saudi Arabia and various commercial banks each accounted for 5% of the total. A number of other countries and institutions also contributed, including Japan and the Saudi Fund for Development, each accounting 4%, the Commission of European Communities and the Islamic Development Bank, each accounting 3%, Kuwait 1% and several other sources that made up the remaining 7%\textsuperscript{78}.

In addition to the interest shown by foreign governments as well as international agencies, international firms showed great interest in the recovery programme. Notable international companies, particularly from Western Europe, have played a leading role in this programme. They awarded most of “the lucrative contracts to rehabilitate the country’s infrastructure, a significant portion of the consultancy contracts related to supervising and managing the individual projects”\textsuperscript{79}, and nearly the entire consultancy contracts that offered technical and organizational assistance to the institutions responsible for implementing Horizon 2000.

Finally, the favourable international attention that the reconstruction programme focused on Lebanon should be taken in consideration. Indeed, at the beginning of the 1990s, Lebanon was looked at as “a pariah state, associated primarily with confessional and political conflict and terrorism”\textsuperscript{80}. By 1997, largely as a result of the recovery programme, Lebanon had begun to raise expectations of becoming an economic and cultural centre once again.

\textsuperscript{78} Ibid, p.76.

\textsuperscript{79} Najem, op. cit, p.131.

\textsuperscript{80} Ibid, p.132
The programme acted as a sort of magnet, attracting all kinds of positive international attention. Because of it and the opportunities it offered, “foreign governments started interacting with the Lebanese government, international businesses began making bids and generally bringing their expertise to bear on the Lebanese economy”\textsuperscript{81}.

However, a number of problems became apparent. Moreover, since the end of Hariri’s first period as prime minister in 1998, a number of additional problems, which had originated in that period, have come to light. While Hariri was the driving force behind the recovery programme and was able to present himself as indispensable to its success, he and his chief allies were to some extent protected from scrutiny and criticism”.

4. CDR and its role

The CDR has been, and indeed continues to be, the most important institution in the reconstruction programme. When the first round of fighting ceased in 1976, the Lebanese public sector was “too weak, inefficient and demoralized”\textsuperscript{82} to provide an effective institutional framework for the planning and implementation of a recovery programme. Because of the extensive damage to Lebanon’s basic infrastructure and the disruption of its social services and economy, extraordinary measures were needed to deal with the rebuilding of the country. On 31 January 1977, the reform-minded Lebanese government of President Elias Sarkis and Prime Minister Salim Hoss issued

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\textsuperscript{81}Ibid

\textsuperscript{82} CDR, Horizon 2000, p.57.
Decree Law no. 5 which created the Council for Development and Reconstruction. The organization was to “act as an apolitical technical advisory unit reporting to and answerable only to the council of ministers”\textsuperscript{83}. The idea to create the CDR originated with Prime Minister Hoss. In brief, by creating the CDR, he wanted to bypass the inefficient Lebanese bureaucracy and the many restrictive practices associated with it. As Hoss put it, he wanted an organization “free from the shackles” of the public sector\textsuperscript{84}.

As specified by Decree Law no. 5, an executive board of 12 members, of whom four were full-time, originally controlled the CDR. The four full-time members, each appointed by the council of ministers for a term of five years, consisted of the president of the CDR, two vice-presidents and a secretary-general. The CDR was divided into four departments: Programmes, Project Management, Finance and Administration\textsuperscript{85}.

Even at its inception, the CDR was granted unprecedented powers for a Lebanese government unit. It was seen as so powerful that some parliamentary debates during the late 1980s centred on the question of whether or not the CDR should be abolished\textsuperscript{86}.

The CDR’s principal role was to draw up an overall framework for the reconstruction of the country and to mobilize and coordinate external finance,

\textsuperscript{83} Najem, op. cit, p.87.

\textsuperscript{84} Ibid, p.88.

\textsuperscript{85} CDR, The Reconstruction Project, p.2.

including loans and grants, for the reconstruction effort. It was made responsible for the financing of any project or programme assigned to it.\textsuperscript{87}

As mentioned above, the CDR was “initially created to help develop a reconstruction plan and to mobilize external funds for the reconstruction of the country”\textsuperscript{88}. For much of the war, particularly during the 1980s, the CDR’s role in Lebanon went beyond its original mandate in at least two significant ways. First, the CDR was meant to act as an implementation agency only under special circumstances. In practice, however, the ministries were so weak that the CDR came to play a very active role in the implementation of the individual projects of the reconstruction programme as well as the day-to-day projects of the ministries, including public sector investment. From 1987 until the end of 1990, for example, the CDR was “responsible for the implementation of externally funded projects to restore schools and health care facilities.”\textsuperscript{89}

Second, the CDR was meant to concentrate on raising funds from external sources. But due to the war, the projected amounts of external funding were not forthcoming, so the CDR came to rely on public funding for its projects. Prior to 1983, the CDR’s programmes were largely financed from external sources. Ninety-one percent of total commitments and seventy-eight per cent of total expenditures were externally financed. After that, the contribution of

\textsuperscript{87} Ibid, p.6.

\textsuperscript{88} Ibid

\textsuperscript{89} Ibid, p.12.
external sources of finance to the total CDR programmes declined substantially\textsuperscript{90}.

\textsuperscript{90} CDR, Progress on Reconstruction, 1983-87, p.46.
Chapter four

Solidere and the reconstruction of the Beirut Central District

1. The Structure of Solidere

On 23 December 1992, the CDR established a Board of Founders that would be responsible for taking the necessary steps to form the company Solidere, a "publicly traded joint-stock company in which former right-holders of property assets in the central district traded property holdings for shares". The Board of Founders consisted of twelve men, including a member of the CDR and representatives of both the owners and tenants of properties in the BCD, as well as prospective investors in Solidere. The Board of Founders included "prominent businessmen from Saudi Arabia, including Mohamad Saad Yamini of the Dallah Albaraka Group, Yahia Bin Laden of the Bin Laden Group, and Abdullah Ba Hamdan of the National Commercial Bank". The high level of Saudi involvement in Solidere showed the degree to which Arab interests were caring of the reconstructive process in Lebanon.

On May 5, 1994, Solidere was incorporated at a general assembly of shareholders in Beirut. Meeting at the Sporting Club in Ras Beirut, The general assembly overwhelmingly elected an eleven-member board of directors, which will serve three years. The board included both prominent members of

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91 Solidere, Information Memorandum, November 1993, p.7.
Lebanon's business community and businessmen from other parts of the Arab world. Nasser Chamma, an associate of Hariri and a representative of the Hariri Group, was elected chairman. Nabil Boustani, a member of parliament from the wealthy Boustany clan and one of the largest investors in Solidere, was elected vice-chairman along with Maher Beydoun, who is the president and general management of several commercial companies. Others members included Raphael Sabbagha, president and general manager of Ashada Engineering and several estate companies, Joseph Asseily, and Maher Daouk, both real estate developers, Fouad al-Khazen, chairman of the Lebanese Contractors Syndicate and president of Industry and Labor Bank, Basile Yared and Sami Nahas, who are both attorneys, and Sarkis Demerdjian, who is the general manager of Demco Steel. Yahia Bin Laden represented Arab interests on the board. Finally, the minister of Posts and Telecommunications, Mohamed Ghaziri, was appointed as the twelfth member of the board.

The reconstruction and development of the war-torn Beirut Central District will involve a surface area of approximately 1.8 million square meters that includes the most celebrated public squares and avenues in what traditionally have been prime areas of the city. Affected by the project are such landmarks as Martyrs' Square, the Parliament Building and the Place de l'Etoile, the Serail and the traditional Souks of Beirut.

Plans for the rejuvenation of the BCD touch on virtually every aspect of reconstruction and development. In addition to the complete installation of

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94 Ibid, p.54.
modern infrastructure, including roads, utilities, public spaces and marine works, the project will "reclaim about 608,000 square meters from the sea, transforming what was formerly a dumping site into public gardens, recreational and cultural areas, and office space"\textsuperscript{95}. The project includes the "reconstruction and development of 4.69 million square meters of built up space parcelled out to ensure that the area will enjoy a wide variety of activities"\textsuperscript{96}. In the plans are a "financial and office complex commanding a superb view of the Mediterranean and Lebanon's mountains, the establishment of commercial centers, hotels, centers for the arts, public parks and recreational areas on the sea front, garden and pedestrian areas, and tree-lined promenades extending Beirut's famous coastal boulevard"\textsuperscript{97}. Half of the built-up area is reserved for residential development, to make sure that the city has a life outside of business hours.

In addition, the Normandy garbage dump, formed in the course of the war in the absence of an alternative dumping site, posed health and environmental problems. The reconstruction of the BCD, which planned to attend to all of these concerns, comes at a time when Lebanon is on the brink for a major economic recovery and the project is sufficiently flexible to respond and contribute to this development\textsuperscript{98}.

\textsuperscript{95} "Beirut", \url{http://www.lebanon.com/construction/beirut/project.htm}.

\textsuperscript{96} Ibid

\textsuperscript{97} "Beirut", \url{http://www.lebanon.com/construction/beirut/masterp.htm}

\textsuperscript{98} Ibid
The duration of the Company is 25 years beginning from the date of establishment. The general assembly dated June 29, 1998 resolved to amend the duration of the Company to be 75 years\textsuperscript{99}.

2. Ownership and investor interest in the project

A joint-stock corporation established formally on May 5, 1994 following a statutory meeting of its shareholders, Solidere’s share capital is made up of common stock of two types totalling $1.82 billion. There were ‘A’ shares, which were reserved for property owners and distributed as compensation for the expropriation of BCD properties by Solidere and, ‘B’ shares which were open to purchase by investors\textsuperscript{100}.

With respects to the ‘A’ shares, “seven government-appointment appraisal committees and a higher appraisal committee ruled, on 25 February 1993, that the worth of the BCD properties was just over $1.17 billion”\textsuperscript{101}. Seven judicial distribution committees were responsible for distributing shares in the company to the property owners of the appraised land. A maximum of just over 11.7 million ‘A’ shares valued at $100 each was to be issued. The process of distribution was problematic, as the courts were required to settle ownership


\textsuperscript{100} The Lebanon Report, 1993, p.10.

\textsuperscript{101} Ibid, p.18.
of numerous properties claimed by several owners. By April 1995, just over 2.6 million shares had been due\textsuperscript{102}.

In addition, the company proposed ‘B’ shares to its investors. It was a cash subscription of 6.5 million shares at $100 each, worth a total of $650 million. The share offering was made between November 1, 1993 and January 10, 1994 the cash shares were offered only to Lebanese and Arab investors, with priority accorded to existing landowners and tenants, followed by Lebanese residents, government institutions, Lebanese expatriates, and citizens of Arab countries. In order to prevent a single shareholder from dominating the company, the law stated that no shareholder is allowed more than a maximum of 10 percent of the ‘B’ shares. The shares were marketed by local, regional and international banks, including Banque Paribas, Saudi American Bank, and over twenty local banks. The cash raised by the share issue was to be used for financing the first stage of infrastructure projects\textsuperscript{103}.

On June 23, 1994, a secondary market allowing for trade in Solidere shares became operational. This market is under the supervision of the Bank of Lebanon and organized by the Societe Financiere du Liban, an organization comprising 46 Lebanese banks. Brokers representing 32 banks and financial institutions participate in the trading. This market makes possible trading in

\textsuperscript{102} Ibid

\textsuperscript{103} Solidere Annual Report, 2000, p.6.
Solidere shares and provides “other Lebanese companies with the opportunity to offer shares for trade and to enter the market anew”\textsuperscript{104}. 

3. The Master Plan

The BCD constituted approximately eight percent of the total area of Beirut. It included an “area of 1.2 million square metres that was projected to expand to 1.8 million square metres after land reclamation work had been completed”\textsuperscript{105}. The project touched on every aspects of urban development, including land reclamation, the building of infrastructure such as roads, utilities and public space, the restoration of historic buildings and areas such as the traditional Beirut souks, and the construction of commercial and residential units\textsuperscript{106}. “Of the total area of 1.8 million square metres, 853,000 square metres were to consist of public space- including roads, public squares and parks; about 863,000 square metres were to consist of development blocks, and some 83,000 square metres were to be owned by religious or state authorities”\textsuperscript{107}. The master plan also allocated the amount of floor space for each type of building.

In developing the master plan, the urban planners for Solidere searched for previous models and lessons from history. Two interesting trends were

\textsuperscript{104} Ibid, p.7/

\textsuperscript{105} Solidere Annual Report, 1994, p.21.

\textsuperscript{106} Ibid

\textsuperscript{107} Ibid, p.23.
observed in the post-war reconstruction of European cities after the two world wars. For one thing, there was a sense of nostalgia and a “need to recapture the past through preservation of the historic fabric”\(^{108}\). Central Warsaw benefited from such an approach, as its national identity and pride were reborn through the restoration of historical buildings and familiar structures. The other trend was that of change and modernization. In the case of the Beirut Central District Master Plan, both trends have been adopted\(^{109}\).

Another central theme of the redevelopment is the excavation and inclusion in the master plan of archaeological sites in the BCD, providing evidence of settlement patterns dating back to 2500 BC when the Phoenicians founded Beirut. Incorporating these historical sites into the master plan was challenging but also provided for a unique opportunity to mix the ancient world with the present age\(^{110}\).

In addition to the preservation of the archaeological sites throughout the BCD, the use of traditional stone facades on buildings is bringing to life Beirut's distinctive architectural style, characteristic of earlier times. “Given the development target of approximately 50 million square feet the BCD reconstruction ranks as one of the largest contemporary urban development


\(^{109}\) Ibid, p.7.

\(^{110}\) Ibid, p.10.
projects. As Solidere spearheads and oversees the project, vitality is being restored in the BCD\textsuperscript{111}.

The plan was supposed to be executed in two phases. Phase one, which was to be completed between 1994 and 1999, comprised both infrastructures and construction work. Infrastructure projects included “archaeological excavations, demolition, road construction, seafront protection and marinas, and landfill treatment and additional land reclamation”\textsuperscript{112}. Construction projects designed to be implemented during this phase included “the restoration of retained buildings, the redevelopment of the souks, and the construction of office, residential, and public buildings, as well as the construction of hotels”\textsuperscript{113}. In the fields of rehabilitation and restoration, Solidere will develop preserved buildings, which have not been renovated by their former owners. About 260 buildings have been designated as restorable; and many are expected to be renovated by their owners or tenants. Many of the projects, particularly those related to office, residential and hotel construction, were to be undertaken by other developers. Phase two, which was scheduled to begin in the year 2000, included major development projects on the reclaimed land\textsuperscript{114}.

\textsuperscript{111} Najem, op. cit, p.168.

\textsuperscript{112} Solidere Annual Report, 1994, p.22.

\textsuperscript{113} Ibid, p.23.

\textsuperscript{114} Ibid, p.24.
4. The Master plan and its execution

Solidere, which was responsible for the redevelopment of the Beirut Central District’s infrastructure, estimated the cost of infrastructure projects at $129 million, and the cost of reclaiming the landfill zone at $346 million. In return for building the infrastructure of the area, the company was to be compensated by the Lebanese government. Given its weak financial position, the government decided to repay Solidere by allowing the company to reclaim even more land from the sea, thus increasing the surface area from 105,000 to 608,000 square metres. Once again, critics raised the possibility that personal interest influenced the government’s decision. Making over so much land for development presented Solidere with a potential windfall that would eventually benefit Hariri and his allies in government. The critics noted that Solidere would earn billions of US dollars once the land was built up.

Infrastructure projects were divided into four categories, comprising the first two stages of infrastructure projects, the construction of marine defences, and the reconstruction of Beirut’s historic souks. A combination of local and international firms was involved in these projects.

The major contract for the first stage of infrastructure projects was awarded in November 1994 to a consortium of the local company Khlat & Moawad and Italy’s Consorzio Cooperative Costruzion for $63.7 million; a cost that even critics of the project conceded was competitive. The contract to build the

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116 “No solidarity downtown”, The Lebanon Report, 1994, p.8

critical marine defences for the BCD was awarded in June 1996 to Bouygues and Bouygues Offshore, both of France, for $230 million. Unlike the infrastructure contract, critics claimed that the price of the marine contract was too high. They further claimed that since the contract was subcontracted to a local firm for considerably less, there was no doubt that these French companies together with Lebanese political groups had taken commissions\textsuperscript{118}.

Moreover, Solidere developed several projects. In addition to the construction of a new corporate headquarters, and the establishment of a permanent exhibition centre in Martyrs Square to display models of the new BCD. Solidere worked on a number of residential projects in the Saifi and Wadi Abu Jamil areas of the BCD. Moreover, it worked on the construction of a new headquarters for the UN Economic and Social Commission for West Asia, and also “carried out an estimated $50 million refurbishment of the one-time Beirut landmark, the Murr Tower, which was to become the new Beirut Trade Centre”\textsuperscript{119}.

4. Solidere’s profitability

Solidere’s goal was double. It wanted to develop the BCD and to earn a profit for its shareholders. At least from 1993 to 1997, it generally seemed to be succeeding on both fronts. From the beginning of the company’s operations it was able to earn a profit especially from the sale of land. In 1995, the price per

\textsuperscript{118} Ibid, p. 25.

square metre of built-up land was fixed at $950. According to Beirut financial analysts, the cost to the company of each square metre of built-up land was nearly half that price at about $500. At the end of 1994, after eight months of operation, the company announced profits of $18.1 million. In 1995, it recorded a net profit of $32.3 million. A further $164 million of revenues were due to be booked into the company’s 1996 accounts from land sales in 1995 alone. In addition, the company would receive further moneys from rents and franchise agreements as well as interest on its cash reserves\textsuperscript{120}.

5. Private purchases of land in the BCD

The company had great success both in selling and in renting property in the BCD. According to the Solidere chairman, Nasser Chamma, Solidere “sold 250,000 square metres of built-up land, including eleven plots of land, for an estimated $250 million during 1995”\textsuperscript{121}. That number was expected to rise as Solidere expected forty land sales in 1996.

The list of local groups that bought land in the BCD is impressive. They included Banque Audi, one of Lebanon’s largest banks; al Nahar, the country’s most prestigious daily newspaper; and the CCIC, the Arab world’s leading construction firm. Others buyers included Lebanon and Gulf Bank, the Republic National Bank and the Beirut Stock exchange\textsuperscript{122}.

\textsuperscript{120} Najem, op. cit, p.169.


The number of non-Lebanese interests that bought land in the BCD is also wide-ranging. Among them is the company Kingdom Establishment, which is owned by Prince al-Waleed of Saudi Arabia. In the autumn 1996, the company was negotiating with Solidere for the purchase of a Four Seasons hotel, which is expected to cost approximately $75 million\(^{123}\).

Solidere also had considerable success in attracting tenants for the BCD rental properties. By the end of September 1995, 600 former tenants, companies and institutions, had registered their intent to return to the BCD.

Furthermore, in November 1996, Solidere opened its shares to international investors for the first time when it launched a global depositary receipt (GDR) for an estimated $80 million. Merrill Lynch was lead manager of the issue, with the UK’s Robert Fleming and other institutions playing a subsidiary role. The launch of the GDR was the first of its kind taken by a Lebanese company since the end of the civil war\(^{124}\).

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\(^{123}\) Ibid, p.25.

\(^{124}\) Solidere Annual Report, 2000, p.7.
Chapter five

The Debate around the reconstruction plan

However, opposition to the project also emerged. Many questioned the postulates behind the project. Did Beirut really need such a grandiose project in the context of an insecure Middle East and the reality of efficient competitors in the Gulf? Would the Lebanese economy be able to pay for the cost of such massive restructuring of the capital? Would Beirut and its white collars be able to survive in the cutthroat atmosphere of international business, and, if not, what would be the consequences? What would be the lot of the rest of the capital, those parts not affected by the reconstruction plan? Would the war-induced parallel centralities survive, or would they be completely marginalized? These questions, posed in conferences, seminars, and academic papers, were until lately pushed aside.

1. The cost of the project

Grandiose schemes, with little regard for the cost, seem intent on reproducing a combination Hong Kong-Jeddah hybrid in the middle of downtown Beirut and calling it reconstruction. The result consists of “three alternating materials-glass, steel, and marble-arranged neatly into impersonal high-rises, where concrete meets asphalt at right angles with nothing green in between, except maybe the odd palm tree”\(^{125}\). It is a world of constant acquisition, clinched

\(^{125}\) Rowe & Sarkis, op. cit, p.26.
deals, and enormous sums. The finer aspects of high culture—aesthetics, atmosphere, something as delicate as archaeology (not to mention Lebanon’s indigenous tradition and fragile edges) have yet to be addressed. Showcase projects such as the new sports stadium (inaugurated in July 1997), convention center, enlargement of Beirut airport, and upgrading of the Beirut-Damascus highway received all of the scarce funds, while badly needed improvements in the crumbling infrastructure (e.g., electricity, telephones, sewage, drainage, and roads) of the capital and other towns and villages were pushed further down on the list of government priorities. Serious attention to these essentials did not begin until the spring of 1995.

2. The landowners and the case of compensation

With 296 acres overloaded, the biggest challenge was the complex entanglement of property rights. Thousands of proprietors, tenants and leaseholders laid claim to individual lots. By conservative estimates, “over 80,000 people lay claim -as owners and tenants- to the 900-odd buildings in the city center”127. Bringing all the landowners together for participation in a reconstruction program of this importance was seen as virtually impossible. Obtaining agreement from even a few hundred people on how to rebuild one single building was seen as a complex if not impossible task. People have different views, interests and resources; some may be uninterested, or unavailable, having set residence abroad. The city center of a capital holds

127 Tarrab, op. cit, p.4.
“national significance and its reconstruction could not be left in abeyance, dependant on so many people, most of them unable to meet or decide”\textsuperscript{128}. In the areas specified for conservation, the original owners had been given the choice of recuperating their properties. However, they had to abide by a predetermined completion timetable and strict conservation standards, or else lose control of their buildings.

According to the plan, the owners of the property, who were not consulted or even given a right to opt out of the plan, were to be entitled to fifty percent of the shares in the company, while the other fifty percent would be made up of cash from investors\textsuperscript{129}.

As critics pointed out, the expropriation of private property was highly illegal. The proponents of the plan justified the takeover of the property on two grounds, that the owners should be unable to finance the reconstruction properly and that some of the individual properties were either jointly owned or in uncertain ownership. These circumstances clearly represented obstacles to decision-making and the management of the reconstruction process. It seemed unlikely that all owners would agree on appropriate plans, raising the spectre of lengthy court proceedings. As Angus Gavin, an architect, explained, “There are estimated to be in excess of 40,000 individual owners. The idea of a

\textsuperscript{128} Ibid, p.4.

\textsuperscript{129} Interview with a landowner.
property development company was conceived because no major reconstruction could take place under these circumstances”\textsuperscript{130}.

Critics of the plan strongly disputed the logic of this argument. They argued that this management problem existed in all parts of Beirut, but did not prevent development in other parts of the capital. Even though it was finally adopted by parliament, the debate caused its implementation to be delayed for several months. Land expropriation in Lebanon is relatively rare. The Law on Expropriation (Law No. 58 dated May 29, 1991, Article One) as well as Article 15 in the Constitution clearly specifies the purpose of expropriation in return for fair and adequate compensation. The government may “expropriate property for public utility projects; mainly for enlarging highways and streets”\textsuperscript{131}. Solidere have been granted the authority to expropriate certain lands for development, although in doing so they have faced serious legal challenges from landowners and squatters. Compensation is paid at the time of expropriation and, at least for legal landowners, is often perceived as below market value. Several court cases are still pending against Solidere after seven years of litigation\textsuperscript{132}.

3. Why only Beirut city center?

The national recovery plan shows that Beirut only constitutes one part of the overall reconstruction plan for Lebanon. However, due to its political and

\textsuperscript{130} Kelliher, A. “Bricks, Bullets and Beirut”, \textit{The Times}, April 10\textsuperscript{th} 1992, p.4.

\textsuperscript{131} \url{http://www.export.com}

\textsuperscript{132} Tarrab, op. cit, p.4.
economic importance, Beirut has tended to take over most of the attention given to the issue of the reconstruction of Lebanon. The concept of rebuilding the downtown caters exclusively to the country’s pre-war strengths in trade, finance, and service sectors, while neglecting totally the other vital components of an economy, namely industry and agriculture\textsuperscript{133}.

Beyond the issue of property rights lies Lebanese sentiment that the reconstruction of Beirut has proceeded largely without consultation with the community. The residents' anger has been voiced through protests, strong criticism of the plan, and threats of long-term litigation. Many Lebanese question the need to hastily implement a plan that has had little input from the general population. Unlike previous plans for the city's redevelopment, which emerged sporadically during lulls in the fighting, the current plan has proceeded largely without citizen participation, especially from the middle class. According to Nabil Beyhum (1992), "residents have found their role in a reconstructed Beirut to be shrinking"\textsuperscript{134}. This lack of involvement is especially discouraging because a reconstruction plan for Beirut, in which religious groups work together, could help form the basis for a stronger, more unified, postwar Lebanon.

To Saliba, there is a need to look at the memory of the city not only from a formal historical perspective, but also from the informal perspective of the city's inhabitants. He adds that "the notion of the memory of the city has been misused and abused during the past decade both by the advocates and the

\textsuperscript{133} Ibid

\textsuperscript{134} Beyhum, "The crisis of urban culture", p. 45.
opponents of the reconstruction of Beirut's Central District, who mainly consist of architects, entrepreneurs, sociologists, and politicians\(^{135}\). Each group has tailored the notion of collective memory to fit with its own needs and arguments. However, nobody has bothered to ask the people themselves how they actually remembered the city.

In 1997, the German researcher Heiko Schmid of Heidelberg University carried out another survey dealing with the reconstruction of the city and the Solidere project. Part of the survey included putting together a map that showed the amount of destruction that affected the city center during the war and after the war. What had been preserved appears in black, what was destroyed during the war appears in yellow, and what was destroyed after the war appears in blue. The map shows that the structures that were destroyed after the war are more numerous than what was destroyed during the war. For his survey, Schmid interviewed about 200 persons, about half of whom were Christian and the other half Muslim. Almost three-quarters of those interviewed supported the process being carried out for the reconstruction of the city center under Solidere. The study noted that the level of acceptance among Muslims was slightly higher than among Christians. Schmid believed that this was connected to the fact that al-Hariri, a Muslim, was Lebanon's Prime Minister at that time\(^{136}\).


\(^{136}\) Ibid
4. The question of how to reconstruct

There is no peace among those debating how reconstruction should proceed. Should Beirut replace its old fabric with a new one? Should it conserve some old elements? And if so, which ones? Should rebuilding be true to the original, or would such "non-transformation" of buildings risk a transformation of social relationships?

The reconstruction of Beirut's Central District is no ordinary urban renewal project. It concerns the rebuilding and restoration of the heart of a capital city after its damage and destruction by war. In searching for previous models and lessons from history, the planning team observed two trends in the post-war reconstruction of European cities after the two World Wars.

In some cases there was a strong sense of nostalgia, and a need to recapture the past through preservation of the "patrimony" and faithful reconstruction of the historic fabric. Best exemplified in the reconstruction of Central Warsaw, this trend associates the national identity in some way with the historic buildings, familiar structures and public spaces that existed before the war. Their faithful reconstruction heralded the rebirth and re-emergence of a national pride and identity.

The other trend, also observed in many European cities, was an "express need to break with the past and construct a "Brave New World" emphasizing change, the future and modernization"137. The devastation of war offered the

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opportunity to make such break, to sweep away the old, inefficient structures, narrow streets and areas of inner city deprivation and to build a new city of the future-perhaps of glass towers, broad avenues and green spaces, where none had previously existed.

The reconstruction plan seeks to establish a balance between them and to “redress the temptations of “grand planning” with a more sensitive respect for the city’s heritage, for the surviving urban context and for a sense of historical and cultural continuity”\(^{138}\).

\(^{138}\) Ibid, p. 33.
Chapter six
Evaluating the reconstruction of BCD

1. BCD today

Today the Beirut Central District has regained its attractiveness as the restoration of many of its buildings has been completed. “Of particular note is the area around Foch-Allenby which has a historic and diversified architecture, characterized by facades decorated and sculpted from yellow stone, inspired Ottoman, Italian, and French styles. Elegant wrought iron works add beauty to their balconies and facades”\(^{139}\). Permanent and temporary activities are now merging in Beirut city center, much to the enjoyment of young and old. The Souk al Barghout flea market has been drawing large crowds of people who spend the long evenings shopping, or “browsing through the wonderful array of antiques, paintings, jewellery, handicrafts and carpets, on display in the various shops and stalls in and around the beautifully restored buildings”\(^{140}\). Residents, returnees and visitors are thus reclaiming the city center's open space, walking, jogging, and riding bicycles in addition to shopping or resting in public gardens. Indoor and outdoor restaurants and charming cafes and pubs have opened throughout the district where residents and visitors can enjoy themselves well into the night\(^{141}\).


\(^{140}\) Ibid, p.15.

\(^{141}\) [http://www.lebanon.com/construction/beirut/solidere.htm](http://www.lebanon.com/construction/beirut/solidere.htm)
The gradual occupation of restored and new buildings, accompanied by a number of street events and open-air activities, are adding vibrancy to the traditional city center. Tree-lined streets, garden squares and pedestrian areas create a pleasant environment and provide a breathing space for visitors and workers alike. The “Ghalghoul garden facing UN House was designed in a formal manner to indicate its eminence as an entry to the city center. It integrates features of the city's historic core such as granite stone paving with oak, bay and willow trees, typical of the Beirut landscape”\textsuperscript{142}.

Particularly hit during the Lebanon war, the Serail was a scarred site at the end of the hostilities. Its renovation to its present state of grandeur is a symbol of the vision and challenge involved in the reconstruction of Beirut.

Today, the Grand Serail is a blend of heritage architecture with modern interior and high-tech amenities. A faithful adaptation of the original Ottoman structure resulted in a larger, more functional building. The external walls were completely restored and stone from demolished buildings was used in the additional floor, thereby preserving a homogeneous facade. All contracting and handicrafts, including stone, marble, steel or carpentry works, were carried out by Lebanese firms\textsuperscript{143}.

\textsuperscript{142} Ibid

\textsuperscript{143} Missir, op. cit, p.52.
The Serail covers 40,000 square metre of floor space. Two upper floors comprise the Prime Minister's residence and office, offices for his staff, as well as the cabinet room and ministers' offices.\textsuperscript{144}

2. Criticism of Solidere

The Hariri government was generally pleased with the progress of the redevelopment of the BCD. In fact, the programme received some praise from international circles. For example, Dr. Hannes Swoboda, Vienna’s Executive City Councillor for Urban Development, believed that the Solidere model should be used for the reconstruction of Sarajevo. According to him, “Beirut is the best example in the world in this area because the reconstruction process is moving along quickly and in credible way.”\textsuperscript{145} Also, at a conference held by the United Nations Development in Dubai in 1996, Solidere was declared to be the best example of “urban planning and reconstruction of a war-torn city centre.”\textsuperscript{146}

Although progress on the development of the BCD proceeded smoothly, opposition to the project existed from the start. Above all, there was general concern that both the planning and implementation of the BCD reconstruction programme would give rise to a serious conflict of interest between public and private sector priorities. From a national perspective, priority would be to continue reconstruction as cheaply as possible while respecting the concerns of

\textsuperscript{144} "Beirut Central District 2000", http://www.cedarland.org/bcd.html

\textsuperscript{145} The Ministry of Economy and Trade. Business Lebanon, no.1, 1996

\textsuperscript{146} Ibid
interested parties within the Lebanese public such as the property owners, squatters and historical and architectural conservationists. From the private sector perspective, priority would be to make as much money as possible without giving consideration to other concerns\textsuperscript{147}.

The criticism addressed against the Hariri government by the former property holders concerning the inadequacy of the financial compensation for the properties appropriated by the company seems to be justified, particularly in light of subsequent developments regarding the squatter issue to which attention will shortly turn. By 1997, over 200 libel suits against Solidere were still before the courts. But given the complex legal issues concerning ownership and the need for centralized decision-making, it is difficult to imagine how the reconstruction of the BCD could have proceeded without some of the drastic measures that were taken. The then minister of Economy and Trade, Yassine Jaber, offered a realistic view: “the important issue with Solidere is how well it is managed. The owners may indeed have lost out, but what was the alternative?”\textsuperscript{148}

In addition to the issue of Solidere’s appropriation of property in the BCD, both the Hariri government and Solidere were faced with the necessity of resettling the massive number of squatters, who had come to live in central Beirut as a result of the disruption caused by the civil war. By the middle of 1996, Solidere had succeeded in dealing with the difficult issue of removing

\textsuperscript{147} Ibid
\textsuperscript{148} Ibid
the squatters living in the BCD by paying $245 million to the government agency responsible for the resettlement of displaced persons. This agency, which was established for that purpose, was widely seen as a vehicle of patronage for political factions.\(^{149}\)

Another criticism relates to the compensation received by the squatters on the one hand, and the owners on the other hand. As one major critic of the plan put it: "The squatters had more rights than the landowners. They were paid to leave. The owners received no such benefits."\(^{150}\) Hariri and his allies being the leading figures both in the government and in Solidere, one might question whether the issue of fairness was particularly high on the agenda in this matter. It was relatively simple for the government to pass a law making the ownership of the land over to Solidere and pay less than adequate compensation. It was in the interest of Hariri and other government figures in Solidere to keep as many shares as possible for themselves, even if this meant undervaluing the owners' stake in the property. For example, one might ask why the division between 'A' and 'B' shares needed to be a fifty-fifty split, as opposed to giving the property owners a larger cut. On the other hand, the process of compensating and resettling the squatters was more politically and practically complicated, and thus more expensive.\(^{151}\)

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\(^{149}\) Tarrab, op. cit, p.4.

\(^{150}\) Ibid, p. 7.

\(^{151}\) Ibid, p. 13.
In addition, many groups and individuals were concerned that Solidere was created with the specific intention of earning was profits, even at the risk of destroying the historical and social importance of the city centre.\footnote{Beyhum, “The crisis of urban culture”, p.44.}

Another prominent critic, Nabil Beyhum, argued that eighty percent of the buildings demolished by Solidere could have been preserved, that the claim made by Solidere that they had to knock them down was rubbish. They were demolished because it was cheaper than renovating them, and because it allowed for a greater density of building, which would greatly increase Solidere’s profits.\footnote{Ibid, p.44.} Solidere attempted to soften its image by financing much of the archaeological fieldwork in the area. Moreover, in response to a public outcry, controversial aspects of the plan, such as the development of certain office and residential complexes, were dropped because of the popular perception that they were included in the plan solely to generate enormous profits for the people behind the people.\footnote{Ibid, p.45.}

3. The debt problem

Perhaps the most serious problem that faced the Lebanese recovery programme, and the Lebanese economy as a whole, was the high debt burden associated with the persistent budget deficits accumulated by the Lebanese government and the increasingly high levels of foreign borrowing. The
problem became so serious that the World Bank revealed in the autumn of 1995 that Lebanon had been placed on its shortlists of states that were at a high risk of bankruptcy. By the end of July 1996 Lebanon’s total debt had increased to $10.5 billion, three times the debt in 1993. Domestic debt accounted for $8.9 billion, or 85.4% of the total. Both the 1996 and 1997 budgets recorded large deficits.

The government expected to rely heavily on external sources of finance for the first few years of the programme and planned to balance this with budget surpluses that were supposed to materialize from 1996 onwards.

As a result of the increasing debt, in October 1998, the government approved an austerity budget designed to reduce the deficit from around 18 percent of GDP in 1997 to about 12 percent by 1998. A draft budget released in April 1999 continued these policies, “increasing corporate and income taxes and raising duties on a range of consumer items, although spending on wages and salaries increased”. The government is trying to keep expenditures near the 1997 level of $5.16 billion. About 40 percent of this total was allocated to debt-servicing obligations, with a majority going towards domestic debts.

Since 1990, the Lebanese government had been funding the budget deficit through Lebanese pound treasury bills for which interest rates range between 12.7 and 16.7 percent. “The switch to external financing is designed to

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156 Ibid, p.15.
157 Najem, op. cit, p.135.
increase the liquidity in the economy and reduce the cost of servicing the
debt"\textsuperscript{159}.

In 2002, Lebanon was granted over US$4 billion in credits to help stabilize its
debt-plagued economy at a key international donor’s conference held in Paris.
The meeting, referred to as "Paris II" following a similar conference in 2001,
included leaders from 17 countries and major international financial
institutions from North America, Europe, Southeast Asia and the Gulf states.
The new credits were based on the Lebanese government's new strategy
entitled, “Beyond Reconstruction and Recovery, Towards Sustainable
Growth”, which emphasize the government's policy proposals regarding
renewed fiscal austerity, increased privatization of public entities,
securitization and further deregulation of the economy\textsuperscript{160}.

According to the Paris II document, the government primarily sought the
external support to help alleviate its massive debt by modifying its debt
composition, reducing its cost and to extend debt maturity. According to
government sources, Lebanon's public debt would be “about 31 billion euros at
the end of the year (2002) and servicing the debt was undermining efforts to
curtail government spending”\textsuperscript{161}.

\textsuperscript{159} Ibid, p.136.

\textsuperscript{160} Sybille Rizk, “Conference Internationale Paris 2”, http://www.libanvision.com/paris2.htm

\textsuperscript{161} Ibid
Lebanon stressed that the country can manage in financial debt crisis if it can secure long-term loans of 10 to 15 years and lower the 12 per cent a year interest rate it is currently paying\(^\text{162}\).

Although there are numerous internal and external reasons for the country's high debt accumulation, the Lebanese government paper presented to the Paris II donor's conference highlighted several points but stressed on the demands resulting from the 1992-2002 decade of reconstruction and recovery in the aftermath of their civil war.

The largest donor from the Paris II conference was Saudi Arabia, which pledged $700 million. $500 million each was pledged by the European Investment Bank, the Kuwait Investment Bank, France and the Arab Development Fund.

Kuwait, the United Arab Emirates and Malaysia pledged $300 million each followed by $200 million each from Bahrain, Canada and Italy. Several other countries provided support in the $50 to $100 million range\(^\text{163}\).

Those attending the donors' conference, but not committing funds as of yet, include the United States, Spain and Germany. These countries are encouraging Lebanon to deepen its relations with the IMF as a basis for new financial commitments. One should note that “the IMF and other financial institutions question Lebanon's ability to manage its deficit without devaluing

\(^\text{162}\) Ibid

the Lebanese pound or making drastic cuts in the budgets and high employment levels associated with its public institutions"\textsuperscript{164}. 

\textsuperscript{164} Ibid
Conclusion

During modern Lebanon's prosperous years (1950-1975), the city centre was not only the heart of the country's economic, cultural and bureaucratic establishment, but it was also the financial and commercial centre of the Middle East. Its Central District was the main hub of commercial and business activity in the city and housed a variety of administrative, recreational and cultural activities, in addition to vast residential areas. The city centre, however, was completely destroyed during Lebanon’s civil war and it became merely a desolate physical barrier between Christian-dominated East Beirut and Muslim-dominated West Beirut. At the end of the war, in 1990, Lebanon was faced with a massive reconstruction program focusing mainly on downtown Beirut.

The development of Beirut Central District into the finest center in the Middle East is one of the most ambitious post-war reconstruction and urban regeneration ventures of our time.

For many westerners the dominant image of Beirut, its buildings reduced to bombed-out shells riddled with bullet holes, freezes the city in time. Although the memory of Lebanon's civil-war landscape looms large in the collective consciousness, the nation has moved forward and seeks a revived economic role in the Middle East. The society and government confront the dual tasks of reconstructing the physical infrastructure of the city while attempting to create interreligious societal harmony to ensure peace.
In light of the major demographic and political shifts that initiated and sustained intersocietal hostilities, it is imperative to place reconstruction plans for Beirut within Lebanon's social and political context. Although armed conflict has ended, many of the issues that aggravated relationships among the country's various confessional groups remain unresolved. The physical and economic reconstruction of Beirut thus holds enormous implications for the future of Lebanon. The greatest challenge is to use the reconstruction process to weld the divergent sectors of the multireligious society and to create, along with economic prosperity, a stronger sense of national unity.

Although the case of Beirut has unique aspects, the problem of joining divergent sectors of society while repairing the built environment is not limited to Lebanon. The apportionment of representative space for ethnic or religious groups will surely be raised during the reconstruction of Sarajevo and throughout the republics of the former Yugoslavia as well. Issues of economic and cultural integration face East European cities as they try to attract investment and create a regional economic presence. A unified Berlin, specifically, faces the challenge of integrating "Ossies" and "Wessies" economically and culturally. Admittedly, though, the stakes may be higher in Lebanon, where reconstruction is assumed to be the foundation for future stability and where the propensity for violence is certainly great.

By providing an answer to the problems posed by the development and rebuilding of the central district, Solidere has encouraged substantial capital
inflows into the country, created directly and indirectly thousands of jobs, made possible the quality reconstruction of Beirut's city center and thus provided Lebanon with an opportunity to reclaim its traditional regional role as a financial, commercial and tourist center. This is of vital importance for a country heavily dependent on a service economy. The success of the company will mean the success of the reconstruction project, to the benefit of Lebanon and its 100,000 shareholders. Before the war, some 80,000 foreign families resided in Lebanon and this figure is expected to rise to 100,000 in the coming years, all of whom will be utilizing residential and office space. The BCD will be offering them, and the Lebanese at large, a choice location\textsuperscript{165}.

Although this project was seen by many as a success, great opposition to the project also emerged. Many questioned the postulates behind the project. Little regard for the cost, the question of landowners and the case of compensation, the focus on only Beirut and not the surroundings and finally the style to adopt for reconstruction were of major points of dispute.

Rebuilding the city center in a capital is a rare event in the last years of the 20th century. The pride and excitement felt by the Lebanese has been accompanied by the recognition that such a venture is comparable to the rebuilding of Berlin after the end of the Cold War. Dizzying perspectives, indeed. For the country's politicians, it was a unique occasion to consolidate their power in the very heart of the “reborn” capital of a renewed country, while having a central and leading role in defining its profile.

\textsuperscript{165} Solidere, Annual Report, 2002, p.5.
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