

The Lebanese Syndrome: Maintaining the System and Depleting the Resources

Part 5/6 Part 6/6

In its previous issue, *li Monthly* published Mr. Adra's paper on "Consequences". In this issue, *li Monthly* publishes the final parts: Examples of Corruption, Environmental Cost, Impact on Social and Public Services and Conclusion

A- Examples of Corruption

1- Banks Interests

By June 2005, there were 63 banks operating in Lebanon with total deposits amounting to 54.1 billion dollars, of which 70% are owned by 14 of the 63 banks.

The collusion between the privately owned banks and the successive governments enabled the government to afford the heavy cost of the widespread corruption and waste. The government borrowed money from those banks at very high interest rates, enabling the banking sector to make vast profits despite the economic recession, however at the expense of the treasury (the treasury bonds interests in 1993-2005 period amounted to 28,180 million dollars).

2- Bank Merger and Acquisition Law

The parliament ratified in 1994, a law aiming at facilitating bank mergers and the creation of larger banking institutions and assisting smaller ones facing problems resulting from the devaluation of the Lebanese pound or from bad management, by providing loans from the Central Bank to the merging banks. Accordingly, 25 mergers were carried without accurate auditing, investigation into the management, or examining the actual needs and intents of those banks. The value of loans granted amounted to 1150 million dollars at a mere 3-5% long term interest rate. Merging banks in turn "invested" those loans, in treasury bonds, generating enormous profits.

3- Money Laundering

Lebanon was one of the first countries in the region to adopt the banks confidentiality law, which drew deposits from the different Arab countries witnessing regime change and an inflow of Petro-dollars. Lebanon became a haven for money laundering operations. This led to the classification of Lebanon among the 15 non cooperative money laundering countries by the International Financial Action Group (GAFI). A law relating to combating money laundry was endorsed in 2001, yet corrupt practices protected by the ruling political class, continued, such as the Al Madina Bank case.

4- Cement Companies

The Lebanese government agreed to ban importation of cement in return for the promise of the three major operating companies to decrease their prices. However, the companies did not respect their promise, created a monopoly, and increased their prices gaining vast profits at the expense of the public. The annual estimated cost that the Lebanese consumer has over paid between the years 1993-2003 is approximately 1.3 billion dollars according to an unpublished report on the cost of corruption prepared by *Information International*.

5- Cellular Sector

The government issued licenses to two private companies in 1994 to operate two mobile networks, whose shareholders were related to high ranking officials. The two companies fixed, with the government(s) blessing, cost of lines and minute that were considered to be among the highest worldwide. Huge profits were realized estimated to exceed a

billion dollars in the last decade. Furthermore, the two companies earned 180 million dollars as compensation from the government for the early questionable termination of their contracts, and a further 600 million dollars as a result of the international arbitration, which could not have been gained had the government not terminated the contracts.

6- Public Property

During the Lebanese civil war, a great number of powerful politicians and parties Zu'ama' took over public property on the riverbanks and coastlines and established tourist and commercial projects. A proposed law in the parliament, concerning the rectification of the current conditions has been blocked since 1993. The losses are estimated to amount to a minimum of 500 million dollars in potential settlement and 50-70 million dollars a year in rental fees, in addition hindrances facing the infrastructure, remain unresolved.

7- Electricity

Lebanon spent more than 1.8 billion dollars to rehabilitate and establish power plants and networks. Yet it has failed to insure a continuous power supply due to many reasons, such as abrupt disorders, lack of fuel, budget deficit resulting from the increase of world fuel prices, and from power theft estimated to be worth 300 million dollars yearly. The Lebanese government aimed at reducing the power theft to 260 million dollars but failed.

8- Health

Many governmental bodies are responsible for insuring health care: the Ministry of Health, military hospitalization, Cooperative for Public Employees, Ministry of Social Affairs, the Mutual fund, and The National Social Security Fund. The total cost amounted to 590 million dollars, in addition to the private insurance companies' coverage of citizens amounting to 250 billion LBP yearly, and the citizens' direct payment of bills. The total public and private expenditure amounts to 1.5 billion dollars or 12% of the national GDP according to the previously mentioned report, which is very high compared to countries similar to Lebanon.

“The political Zu’ama invite the interference of the eager foreign powers, who in turn supports and enforces their rule, despite the fact that these powers complain from its corruption and from the dominating geopolitical circumstances which is of their own making.”

Moreover, expenditures allocated for medicine amounted to 25-30% from the total health expenditure, and estimated at 450-500 million dollars per year (2000-2003), which is also a very high number when compared to the other Arab countries such as Jordan (120 million dollars), Kuwait (150 million dollars), Libya (215 million dollars), Syria (225 million dollars), Oman (110 million dollars), and United Arab Emirates (190 million dollars).

This high public spending on health and medical care is due to multitude of concerned bodies adopting different price lists even within the same hospital; high number of contracts with private hospitals drawn for political and confessional considerations rather than medical needs; absence of control and audit of hospitals bills, even when contraventions were revealed, the cases were closed due to the institution’s political protection. The previously mentioned study also revealed that, this cost can be decreased by 500 million dollars, thus decreasing the health sector cost to 6% of the GDP instead of 12%.

9- Education

The sums allocated to the educational sector in the 2004 governmental budget amounted to 690 million dollars, in addition to the private expenditures, thus a total of 1.6 billion dollars.

This extravagant spending implies waste which can be summarized as follows:

- The surplus in the number of teachers in public schools, with a ratio of 1 teacher to 9 students, compared to the rate of 1 teacher for 15 students in private schools.
- Contracting teachers without an apparent need for them.
- Awarding educational assistantships to public sector employees whose children are studying in private schools.
- Allocating 20 million dollars per year to gratuitous private schools (belonging to religious institutions) although the public schools can absorb students enrolled in them.

Serious studies revealed that this expenditure can be decreased by 800 million dollars, thus decreasing the educational sector cost to 5%, which is the average expenditure in similar countries.

10- Non Governmental Organizations

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

11- Overstaffing

The number of the surplus employees in public administrations and institutions (except for teachers and security forces) was estimated at 13 thousand, with an annual cost of 60-70 million dollars. Once again, the government is helpless in taking an action due to the political or religious immunity these employees enjoy.

12- Ministry of the Displaced

The Lebanese government estimated in 1993 the cost of the settlement of the displaced cases at 550 million dollars. The successive governments have managed to spend 1,150 million dollars by the end of July 2005, and affirmed the need for another 500 million dollars to close this file. The real reason lying behind this wasteful spending is the payment of evacuation and reconstruction compensations according to electoral political and confessional interests rather than real needs.

B- Environmental Cost

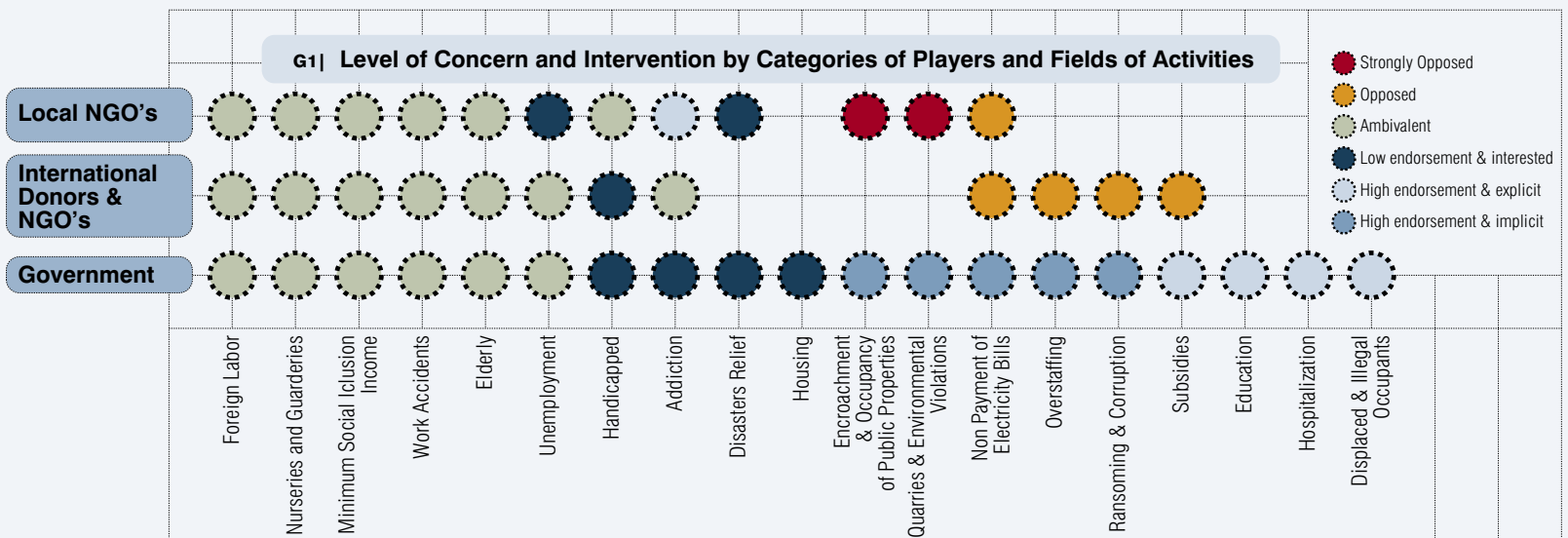
Environmental degradation is one of the main problems faced in Lebanon. The World Bank estimated its cost to vary between 500 and 560 million dollars per year⁽¹⁾. There are several causes for this degradation such as:

- **Emissions from car engines, particularly in the crowded cities.**
- **Emissions from factories, particularly cement factories in the North.**
- **Absence of wastewater treatment plants and networks.**
- **Absence of solid waste disposal plan.**
- **Lack of organization and law enforcement concerning quarries.**
- **Non implementation or absence of rural and urban plans.**

C- Impact on Social and Public Services

Due to the existing arrangement, several social groups suffer from neglect, since they do not represent an important player for the political class, such as the vulnerable groups (children with special needs, senior citizens, orphans, handicapped, the Palestinian refugees, foreign maids etc.) (Graph No. 1). Services provided by the government responding to the needs of these groups are mediocre or non existent. As a result, citizens are forced to refer to their confessional institutions (the majority of which are funded by public money) that may or may not provide them with these services, further deepening the citizens’ affiliation, and dependence on those institutions instead of the state.

The Lebanese Syndrome: Maintaining the System and Depleting the Resources



“The Lebanese system is perhaps the “perfect crime”, whereby the citizens blame the civil servants, who blame the politicians, who in turn blame the citizens, civil servants and international interference with the latter blaming all of the above. No one is held accountable for the prevalent syndrome.”

D- Conclusion

The Lebanese system is perhaps the “perfect crime”, whereby the citizens blame the civil servants, who blame the politicians, who in turn blame the citizens, civil servants and international interference with the latter blaming all of the above. No one is held accountable for the prevalent syndrome. The citizens continue to assign power to the same political class, which returns the favor by guaranteeing privileges to the confessions. The civil servants complain from political interference, yet it is the same interference that appointed them and kept them in their positions, in the absence of meritocracy, and the prevailing nepotism. The political Zu’ama invite the interference of the eager foreign powers, who in turn supports and enforces their rule, despite the fact that these powers complain from its corruption and from the dominating geopolitical circumstances which is of their own making. Today, Lebanon is witnessing a heat of foreign political intervention invited by the different confessions, with the Sunni confessional Zu’ama allying with the United States, the Druze with France, the Shia’a with Iran and Syria, and the Maronites with France and the United States.

This paper mainly tackled examples of corruption that are the direct responsibility of the Lebanese public and officials. However an in depth analysis of corruption requires, in addition to what was previously mentioned, an analysis of corruption resulting from direct external interference, such as the Syrian intervention in the past two decades. In addition the roles of international organizations such the International Finance Corporation (IFC) which financed the expansion of a cement plant in the North despite its awareness of the negative effect it poses on the environment, and certain UN agencies that continue to provide an umbrella for waste and corruption, ought to be examined.

The system is extremely accommodating to those who play by its rules and entrapping to those who are seduced by its unscrupulous games yet it crushes the weak, the meager and the rebel without mercy. Finally, this paper has also shown the resiliency and coherency of this system. Thus any attempt to find a cure for this syndrome, and curb corruption should aim at abolishing the confessional system itself. Consequently, modern notions concerning social and financial reform, such as the “islands of integrity” and the “Quick fix” approach that target partial reform, with the absence of an overall comprehensive strategy, will be doomed to fail. A real debate between the Lebanese to diagnose the root causes is a necessary step towards a “cultural revolution” which would hopefully establish a scale of values that would break the vicious cycle and initiate the long journey of reform.

(1) World Bank, 2004, p.:15
World Bank, 2004. Cost of environmental degradation - the case of Lebanon and Tunisia, Vol. 1 of 1