

Report

# MONITORING THE STATE

---

Authors

**Wassim Maktabi**

**Sami Zoughaib**

**Sami Atallah**

**Najib Zoghaib**

**April 2024**

Report

## **MONITORING THE STATE**

---

### **Authors**

Wassim Maktabi  
Sami Zoughaib  
Sami Atallah  
Najib Zoghaib

April 2024

### **Acknowledgments**

This report has been produced as part of The Policy Initiative's collaboration with UNICEF under a joint project entitled "Analyzing and Advocating for Critical Policies and Reforms", to promote independent research and policy advocacy. UNICEF does not endorse the viewpoints/analysis/opinions expressed by the authors. The report is designed by Hind Khaled.

## **TABLE OF CONTENTS**

1. Introduction .....	1
2. Political and economic context .....	2
3. Methodology .....	3
4. What has the state not done? .....	3
5. What the state has done? .....	9
Conclusion .....	16
Annexes A: Tracking reforms .....	17
Annex B: Tracking government and parliament activity .....	18

## 1 INTRODUCTION

*The state — comprising the government and parliament — has made only minimal progress in passing and implementing the reforms it pledged since the onset of the crisis*

Against the backdrop of a devastating financial crisis and series of compounding shocks, the dysfunctional Lebanese state has failed to safeguard the wellbeing of society through macroeconomic stabilization over the past four years. The political consensus in Lebanon has instead sought to preserve an unfavorable status quo that serves to protect the financial and political interests of a selected few at the expense of the broader public. This, in turn, has shrunk the economy, paralyzed state institutions, triggered brain drain, left public services effectively inoperative, and thereby undermined any attempts at structural reform. This dire situation has disproportionately affected vulnerable populations, including children, people with disability, the elderly, and those with limited access to basic services, exacerbating their exposure to poverty, health risks, and educational disruptions. The urgent need to address these vulnerabilities is paramount, highlighting the importance of interventions including reforms that prioritize the rights and well-being of these groups amidst Lebanon's ongoing turmoil. In fact, the state — comprising the government and parliament — has made only minimal progress in passing and implementing the reforms it pledged since the onset of the crisis, whether in the preliminary agreement with the International Monetary Fund; the Reform, Recovery, and Reconstruction Framework (3RF) or the cabinet's own ministerial statement. Had politicians implemented the reforms, they would have unlocked needed capital, promoted economic activity, created jobs, raised more state revenues, provided decent public services, and extended social protection to vulnerable groups, including women and children.

However, the state's political institutions have not remained entirely inactive. The parliament and government have continued to enact laws, decrees, and decisions, albeit at a volume that is lower than pre-crisis levels. These legislations, however, reflect — as in the past<sup>1</sup> — the state's misguided priorities and narrow political agenda, as opposed to addressing the urgent needs of the population. While the parliament passed laws that are regulatory in nature, the laws did not meet the standards required for reform (banking secrecy laws), were passed but never fully implemented (procurement law), or delayed for approval (the ESSN loan). Despite political paralysis, the government continued to mostly issue licenses that are particularistic (i.e. benefit specific private entities), financial transfers, and tax extensions that are characteristic of collapsing public financial management.

This report evaluates the extent to which the state has adhered to its reform commitments and analyzes its legislative output to determine its actual policy priorities. This report relies on legislation data, a key governance tool for achieving reform outcomes, to provide stakeholders, including the public and international community, with an evidence-based assessment of the policy priorities and performance of Lebanese political authorities.

The report is structured into five sections. The first provides a snapshot of Lebanon's political landscape that has overseen the collapse of the economy over the past four years. The second outlines the methodology used for collecting legislation data and assessing progress on reforms. The third section delves into Lebanon's performance regarding three recent reform pledges. The fourth section analyzes the Lebanese state's political agenda, unpacking the outputs of the government and parliament to infer the policy topics that politicians prioritize under different political and socioeconomic conditions. Finally, the fifth section concludes by synthesizing the implications of the state's resistance to reforms on prospects for recovery. Annex 1 tracks the government promised reforms. Annex 2 maps the legislative outputs of the government and parliament between 2019 and 2023..

---

<sup>1</sup> Mahmalat, M. 2020. "Policymaking in Data Poor Countries – Measuring the Lebanese Political Agenda in a New Data Set." International Development Planning Review.

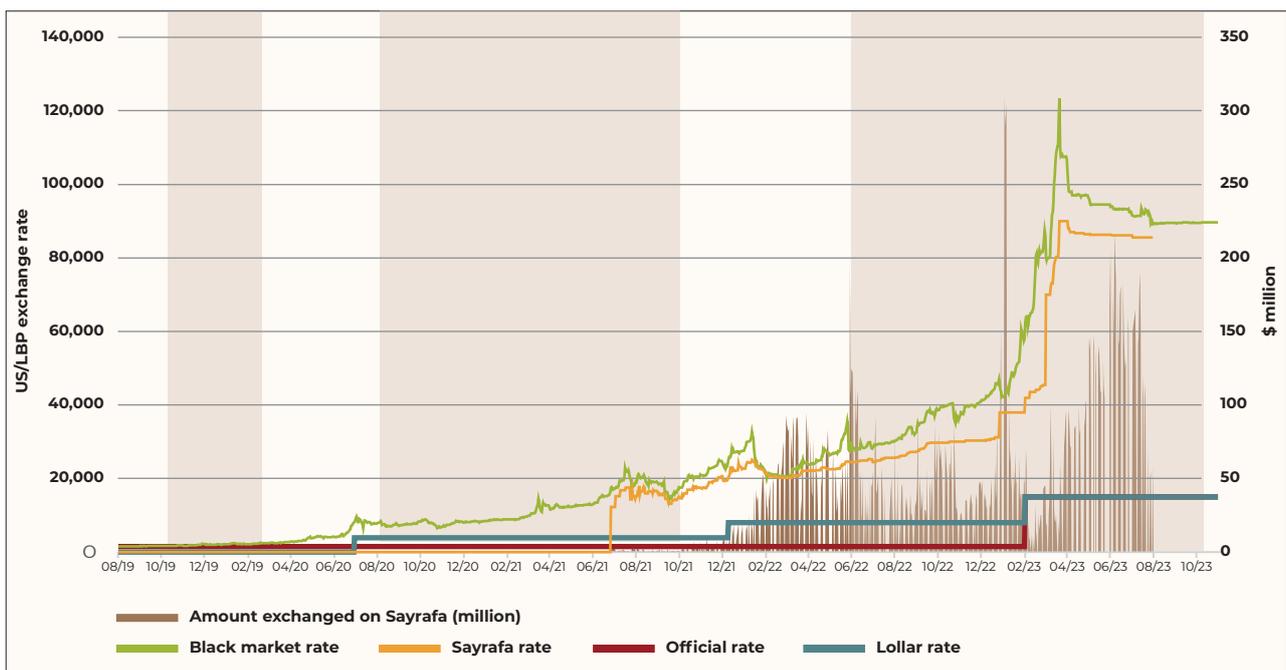
## 2 POLITICAL AND ECONOMIC CONTEXT

Since the onset of the crisis, Lebanon’s political landscape has become increasingly dysfunctional. Between August 2019 and December 2023, three governments ruled in a caretaker capacity for a total of 36 out of the 51 months (Figure 1).<sup>2</sup> Since November 2022, Lebanon’s executive branch has been vacant because the parliament has yet to elect a president of the republic, who is responsible for nominating a prime minister upon consultation with parliamentarians. Moreover, Banque du Liban (BdL) is led by an interim governor following the government’s failure to appoint a successor to Riad Salameh in July 2023.

*BdL effectively deleveraged the financial sector by mandating that banks conduct haircuts on deposits and impose illegal restrictions on withdrawals*

BdL spent a significant portion of its foreign currency reserves on quasi-fiscal programs subsidizing imports and propping up the national currency, decreasing foreign reserves from \$31 billion in August 2019 to \$8.9 billion in September 2023.<sup>3</sup> This took the form of financing an exchange rate subsidy for imports, which cost at least \$6 billion annually,<sup>4</sup> and providing an arbitrage opportunities for lira cash holders, which evade accurate estimations due to opaqueness in BdL’s figures. Moreover, borrowers were able to benefit from an implicit subsidy as \$15 billion worth of private sector loans were repaid in local currency at the official rate, rather than parallel exchange rate, between March 2020 and January 2023.<sup>5</sup> In parallel, BdL effectively deleveraged the financial sector by mandating that banks conduct haircuts on deposits and impose illegal restrictions on withdrawals, as the size of foreign-currency deposits in the banking sector shrank by \$30 billion.<sup>6</sup>

Figure 1: Period under caretaker government and changes in exchange rates and Sayrafa transactions<sup>7</sup>



Note: Shaded area indicates period under caretaker government.  
Source: Banque du Liban and lirate

<sup>2</sup> Figure rounded to the nearest month; Crisis onset August 2019.

<sup>3</sup> Banque du Liban, as of May 2023.

<sup>4</sup> Naharnet. March 2021. "Wazni Confirms Lebanon to Cut Subsidies, Hike Fuel Prices."

<sup>5</sup> International Monetary Fund. June 2023. "Lebanon Article IV Staff Report.;" World Bank. May 2023. "Normalization of Crisis is No Road for Stabilization." World Bank Group; According to BdL’s Sayrafa figures, transactions reached around \$10 billion between January and June 2023, with an arbitrage opportunity of \$3 billion.

<sup>6</sup> Ibid.

<sup>7</sup> Lebanon has had at least four widely adopted exchange rates during the crisis. The official one, which was pegged in 1997, was devalued to USD/LBP 15,000 in February 2023. The parallel exchange rate, which deviated from the official one in August 2019, is Lebanon’s closest real exchange rate that is determined by supply and demand of foreign currency in the market. The "lollar" rate was introduced by BdL to allow depositors of foreign currency-denominated accounts to withdraw LBP cash from commercial banks. The lollar rate was changed four times after it was set at USD/LBP 2,600 in April 2020, USD/LBP 3,000 between end of April and end of June 2020, USD/LBP 3,900 between July 2020 and December 2021, and USD/LBP 8,000 between December 2021 and January 2023. Sayrafa, launched by BdL to monitor and regulate currency exchanges in an attempt to unify exchange rates, became an arbitrage platform when it mandated banks to conduct currency exchanges at a rate below the parallel one.

### 3 METHODOLOGY

This report primarily relies on secondary sources to assess the Lebanese state's progress on its reform commitments and deep-dive into its policy priorities. More specifically, we review reporting by local media outlets and international financial institutions to gather information about how reforms have progressed, and collected primary and secondary legislation published in the Official Gazette as core legislative outputs by the parliament (laws) and the government (decrees and decisions) between November 1, 2018, and October 31, 2023.

*To analyze the collected data, we employ agenda-setting theory, which posits that legislation serves as a measure of policy attention.*

To analyze the collected data, we employ agenda-setting theory, which posits that legislation serves as a measure of policy attention. This was complemented by two distinct coding methodologies. The first is the Comparative Agendas Project (CAP), which provides a standardized codebook and assigns one policy area to each piece of legislation based on its textual content.<sup>8</sup> It allows for cross-country comparisons and enjoys a high measurement validity. CAP includes 20 major policy areas, such as macroeconomics, education, and health, and about 200 sub-categories, such as tax code, national budget, higher education, and disease control. Second, we incorporated a Lebanon-specific codebook with the aim of distinguishing between administrative and regulatory texts.<sup>9</sup> Administrative texts apply an already existing rule, while regulatory texts amend or introduce a new general rule. Each administrative text was then assigned a functional classification relevant to the Lebanese context. This includes, for example, approving naturalization and citizenship requests, providing licenses to businesses, transferring funds inter-institutionally within the public sector, and appointing personnel.

### 4 WHAT HAS THE STATE NOT DONE?

Throughout its history, Lebanon has frequently sought foreign assistance to address recurring macroeconomic challenges and navigate crises. A notable example of this is the series of Paris conferences held in 2001, 2002, and 2007, which extended concessional loans to the Lebanese government. These loans were intended to support a reform program aimed at enhancing various aspects of the country's economic landscape, including financial sector stability, monetary policy effectiveness, and fiscal consolidation, among other objectives. Despite approximately \$4 billion being disbursed by 2018, less than one-quarter of the proposed reforms had been successfully implemented.<sup>10</sup> Since that time, the landscape has shifted significantly, with the majority of non-humanitarian or non-social foreign disbursements being made conditional on the implementation of reforms that the entrenched political establishment resisted. Notably, the CEDRE program, which was jointly endorsed by the international community and the Lebanese government in 2018, has yet to unlock any funding.

*Since 2018, the landscape of foreign assistance has shifted significantly, with the majority of non-humanitarian or non-social foreign disbursements being made conditional on the implementation of reforms that the entrenched political establishment resisted.*

During the crisis, the Lebanese government committed to two reform documents in addition to its own ministerial statement. These include the 3RF—an international assistance platform that that was formed in response to the Beirut Port Explosion—and the Staff-Level Agreement (SLA) with the International Monetary Fund (IMF). This section of the report examines whether and to what degree Lebanon passed and implemented reforms to which the government pledged. To do that, we identify the legislative requirements of each reform commitment (i.e. the laws, decrees, and decisions required) and monitor whether they translate into legislations in the Official Gazette.

As of July 2023, a mere 21 out of 81 reforms necessitating legislation were achieved (26%), a yield that is consistent with that of Paris 3. Of those requiring parliamentary approval in the form of a law, 10 out of the 39 were (26%) were

<sup>8</sup> Baumgartner, F., Breunig, C. and Grossman, E. March 2019. "Comparative Policy Agendas: Theory, Tools, Data." Oxford University Press.

<sup>9</sup> The codebook was conceptualized by the authors and Mounir Mahmalat during their time at the Lebanese Center for Policy Studies.

<sup>9</sup> See Maktabi, W. and S. Zoughaib. November 2019. "The Government Monitor No. 7 - Lebanese Government: A Dismal Performance." Lebanese Center for Policy Studies. Since then, the authors improved the codebook and applied it to over 5,000 pieces of legislation.

<sup>10</sup> Atallah, S., M. Mahmalat, and S. Zoughaib. November 2018. "CEDRE Reform Program: Learning from Paris III." Lebanese Center for Policy Studies.

## 1. The Reform, Recovery, and Reconstruction Framework (3RF)

The 3RF was introduced by the European Union, the World Bank, and UN agencies in response to the Beirut port explosion to offer financial grants to expedite recovery and reconstruction from the blast. The consultative group in charge of providing guidance on the implementation of the 3RF reform agenda has met four times since 2020 and comprises representatives from the Lebanese government, donors, civil society, and the private sector. The framework comprises two tracks through which the funds will be distributed: a people-centered one, which is funded by an unconditional \$500 million grant, and a reform one, which entails \$2 billion in aid conditioned on a list of 138 reforms, or action points, of which 81 require legislative output from the state.<sup>11</sup>

In this report, we focus on the second 3RF financing track, which requires the state's political institutions to legislate reforms. Restricting the analysis to this track renders the exercise of monitoring the state's performance in implementing reforms systematic. These reforms, which total 81, entail the drafting of one of three types of legislation: laws issued by parliament, decrees issued by the Council of Ministers, and decisions issued by individual ministries.

The 3RF's reform agenda covers 17 sectors, with social protection and business environment requiring the highest number of legal texts from the state (Table 1). These include ambitious measures such as reforming the National Social Security Fund, introducing life-cycle social grants, and approving and executing the insolvency and competition laws. The 3RF also includes commitments that the ruling class previously pledged but failed to achieve, notably in the public procurement, anti-corruption, and justice sectors. These include adopting a new public procurement law, activating the National Anti-Corruption Commission, and passing the judicial independence law.

Table 1: 3RF legislative implications, by sector

Sector	Law	Decree	Decision	Total
Public Procurement	2	3	2	7
Anti-corruption, Integrity & Transparency	2	4	0	6
Justice	7	1	0	8
Business Recovery and Jobs	0	0	0	0
Financial Sector	1	0	1	2
Business Enabling Environment	3	6	1	10
Social Protection	11	1	2	14
Social Cohesion, Inclusion and Gender	3	0	2	5
Culture	1	0	0	1
Housing	1	0	1	2
Port	4	2	1	7
Electricity	1	2	1	4
Environment	0	0	1	1
Municipal Services	0	0	0	0
Education	0	0	3	3
Health	2	0	4	6
Water	1	2	2	5
<b>Total</b>	<b>39</b>	<b>21</b>	<b>21</b>	<b>81</b>

Source: 3RF Monitoring Framework; The Policy Initiative and Beirut Urban Lab

<sup>11</sup> We excluded five legislative reforms that require draft laws and Central Bank circulars.

As of July 2023, a mere 21 out of 81 reforms necessitating legislation were achieved (26%), a yield that is consistent with that of Paris 3.<sup>12</sup> Of those requiring parliamentary approval in the form of a law, 10 out of the 39 were (26%) were achieved, notably the ratification of the Emergency Social Safety Net program, albeit being overdue.<sup>13</sup> Of those that were not passed, judicial independence has yet to be ratified despite being pledged by the political class on numerous occasions, and the 2021 and 2023 national budgets were never endorsed by parliament, among others.

Only 10% (2 of 21) of reforms requiring decrees — i.e. the approval of the Council of Ministers — were achieved. A lack of implementation decrees stalled the activation of the whistleblower law as well as the public procurement law, resulting in fragmented compliance with new procurement regulations across public administrations.<sup>14</sup> Decrees for appointing the Electricity Regulatory Authority and the Public Financial Management Commission are also still lacking.

*The parliament and government's performance vis-à-vis the 3RF reflects a continued resistance to reforms, even during a socioeconomic crisis.*

3RF commitments requiring a ministerial decision saw a 52% yield, also in line with the yield from Paris 3. These include updating the water sector strategy, preparing a health coverage strategy, and waiving fees for refugees seeking to renew or obtain residency permits. The higher enactment of ministerial decisions in comparison to laws and decrees is largely due to the comparatively low legal and political effort required for their preparation and promulgation.

Certain reforms that have yet to be achieved have made significant headway. In July 2023, the caretaker minister of public works and transport highlighted the Beirut port's efforts to enhance its operational and investment environment by drafting a legal framework for the port sector.<sup>15</sup> Some progress has also been made in the electricity sector. The Ministry of Energy and Water engaged with 11 private firms in May 2023, to generate electricity using solar panels, but a government decree outlining a regulatory framework is still pending to consider this reform achieved.

Overall, the state's track record in implementing the 3RF is dismal and consistent with previous conditional reform programs. The parliament and government's performance vis-à-vis the 3RF reflects a continued resistance to reforms, even during a socioeconomic crisis that has pushed most of the population into multidimensional poverty and rendered public administrations quasi-paralyzed. This casts serious doubt on the willingness of the political class to produce change and the ability of conditional aid programs to provide the necessary incentive structures for it to do so.

<sup>12</sup> Maktabi, W., S. Zoughaib, S. Atallah, M. Harb, and S. Bloemeke. May 2023. "Limits of Reform and Conditionalities in Lebanon's 3RF." The Policy Initiative.

<sup>13</sup> Maktabi, W., S. Zoughaib, and S. Atallah. November 2021. "Near Miss: Lebanon's ESSN evades elite capture." The Policy Initiative.

<sup>14</sup> See coverage from Gherbal Initiative. <https://twitter.com/ElGherbalOrg/status/1623958019355598848>

<sup>15</sup> Al Ahed News. July 2023. "حمية، مرفأئ لبنان جاهزة للاستثمار الشركات الدولية".

## 2. Ministerial Statement

Ministerial statements represent an incoming government's policy agenda, based on which the parliament grants a vote of confidence and holds ministers accountable. Following a record period of about 13-months without a full-authority government, Lebanon's political class endorsed Najib Mikati's cabinet and his ministerial statement in September 2021.

The government's ministerial statement comprises 62 measures covering 22 themes, namely energy (7), social affairs (6), education (5), and the environment (5), among others. The textual composition of these statements, however, lacks explicit reference to legislation, as only 18 do so (Table 2). This defeats the purpose of a ministerial statement, as its design mirrors a list of general intentions rather than a reform action plan, which impedes monitoring and accountability efforts from both the public and parliament.

*The government's ministerial statement's design mirrors a list of general intentions rather than a reform action plan, which impedes monitoring and accountability efforts from both the public and parliament.*

To track the government's progress in committing to its ministerial statement, we focus the analysis on measures that carry legislative implications. In doing so, it becomes possible to determine the extent to which the cabinet has complied with its promised policy prescriptions by promulgating them in the Official Gazette. Based on this method, only 4 of the 18 statements requiring legislation were achieved, netting the Mikati cabinet a 22% success rate when comparing passed legislation to its ministerial statement.

Table 2: Najib Mikati ministerial statement by sector and legislative implication

Policy theme	Statements	Of which require legislations
Energy	7	2
Social affairs	6	2
Education	5	0
Environment	5	2
Health	4	0
Telecommunication	4	1
Judiciary	3	2
Anti-corruption	3	2
The role of women	3	0
Industrial policy	3	0
Transportation	3	1
Tourism	3	2
Privatization	3	1
Multimedia	2	0
Employment	2	1
Agriculture	1	0
Culture	1	0
Displaced population	1	0
E-government	1	1
Administrative decentralization	1	1
Immigration	1	0

Source: 3RF Monitoring Framework; The Policy Initiative and Beirut Urban Lab

*Throughout its mandate, Najib Mikati's cabinet took little action that contributes to macroeconomic recovery or that upholds its ministerial statement.*

Of the 18 legislative measures, 10 require a law to be passed by parliament and eight require a decree issued by the Council of Ministers. Only one law was passed, the ration card social assistance program, but it has yet to launch due to an alleged lack of funding.<sup>16</sup> The judicial independence proposal failed to materialize despite the fact that a proposal was first submitted to parliament in 2018.<sup>17</sup> Moreover, only three decrees were issued and published in the Official Gazette, including appointing the members of the National Anti-Corruption Committee and the Higher Judicial Committee, both of which have yet to assume the full prerogatives described in their establishment laws. The third issued decree pertains to launching the second bidding round for offshore licensing in Lebanon.

Some of the prominent stalled pledges include implementation decrees for public-private partnership and the public procurement laws, as well as ratifying the judicial independence and old-age pension laws.

Throughout its mandate, Najib Mikati's cabinet took little action that contributes to macroeconomic recovery or that upholds its ministerial statement. The cabinet's main highlights are launching the ESSN (albeit late), the devaluation of the long-standing currency peg, and the transfer of four draft budgets (2021, 2022, 2023, and 2024) to parliament, two of which materialized into laws.<sup>18</sup>

### 3. IMF Staff Level Agreement

The IMF signed a staff-level agreement (SLA) with the Lebanese government on April 6, 2022, to guide the country toward a macroeconomic stabilization path. The SLA outlines nine reforms that the Lebanese state must complete before unlocking a financing program worth \$3 billion. While the SLA carries few reforms in number, these are considered structural, as they span multiple sectors in the economy and relate to Lebanon's broader governance model (Table 3). This section provides the latest updates on each of the preconditions set by the IMF and shows that only one of the nine preconditions can be considered achieved (forensic audit), while the rest are still pending or have failed.

Table 3: IMF-SLA preconditions

Condition	Responsibility
Bank resolution law	Central Bank (via Banking Control Commission), Parliament
Bank restructuring strategy	Council of Ministers, Parliament
Evaluation of top 14 banks	Central Bank (via Banking Control Commission)
Amending banking secrecy law	Parliament
Forensic audit	Central Bank, Ministry of Finance
Approving the national budget	Parliament
Unifying exchange rates	Central Bank, Council of Ministers
Capital control	Parliament
Debt restructuring strategy	Council of Ministers, Parliament

Source: International Monetary Fund and Ministry of Finance

<sup>16</sup> Alladan, O. May 2022. "البطاقة التمويلية: التمويل موجود والسلطة لا تريد" أساس ميديا.

<sup>17</sup> Al-Markazia. February 2022. "قانون استقلال القضاء... قريباً".

<sup>18</sup> At the time of writing (February 21, 2024), only the 2022 and 2024 budgets were ratified by parliament.

**Bank Resolution Law:** This law has faced legislative hurdles for eight months due to the lack of agreement on a unified version. The political class opposes the law because it stands to negatively affect their wealth and that of bank owners and shareholders.<sup>19</sup> Meanwhile, the Banking Control Committee (BCC), in consultation with the IMF, are working on the preparation of a draft law.<sup>20</sup>

**Banking Restructuring Strategy:** According to the IMF, the lack of political buy-in on the banking restructuring strategy is the primary impediment to passing the capital control law, amending the banking secrecy law, and evaluating banks.<sup>21</sup> The strategy sits at the core of the government's financial recovery plan, which has been fiercely opposed by the Association of Lebanese Banks and dominant political parties represented in the parliament's fact-finding committee. The plan, which entails a principled bail-in and the protection of small depositors and state assets, is severely overdue, rendering the figures and projections based upon which the strategy was conceived obsolete.

**Assessment of Top 14 Banks:** This condition was originally due by September 2022, but it has been delayed because of insufficient financial resources and a lack of interest by international firms to participate in the assessment. After a period of uncertainty about this condition, the IMF's Article IV report mentioned that BdL and the IMF are cooperating to define the Terms of Reference for the assessment.<sup>22</sup>

**Amendments to the Banking Secrecy Law:** While the Lebanese parliament introduced amendments to this law in October 2022, these fell short of meeting IMF requirements. Currently, the parliament has not submitted new amendments to the law, given the parliament's priority of electing a president. Forensic Audit: The forensic audit has encountered numerous hurdles since a contract was signed with auditing firm Alvarez & Marsal in September 2020. The BdL's obstruction, via exploiting banking secrecy laws and concealing pertinent documents from the auditing firm, resulted in the signing of a renewed contract with the firm in September 2021. The firm completed the audit in 2023 and released its final report in August.

**Approving the National Budget:** Despite being enacted as a law, the 2022 budget failed to align with IMF requirements and was approved nine months overdue in September 2022. The 2023 draft law was never passed by parliament,<sup>23</sup> while the 2024 budget — which was prepared by the Ministry of Finance and submitted by the cabinet to parliament on time for the first time in almost a decade — also does not contain needed reforms. Moreover, the budget's expenditure and revenue structures are at odds with inclusive growth objectives.<sup>24</sup>

**Unifying Exchange Rates:** While some economies have resorted to multiple exchange rates during macroeconomic distress, the number of exchange rates in Lebanon have grown since August 2019. As of July 2023, the domestic economy recognizes the official rate, the Sayrafa one, the customs rate, as well as rates to settle state telecom and electricity bills. That way, the minister of finance's devaluation of the Lebanese lira from USD/LBP 1,507.5 to USD/LBP 15,000 in February 2023, which was void of a macroeconomic recovery framework, falls short of unifying the rates, as it only convoluted the currency market further. As a result, businesses have adapted by increasingly dollarizing their prices.<sup>25</sup>

<sup>19</sup> Chaaban, J. 2016. "I've Got the Power: Mapping Connections between Lebanon's Banking Sector and the Ruling Class." Economic Research Forum.

<sup>20</sup> International Monetary Fund. June 2023. "Lebanon Article IV Staff Report."

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> Maktabi, W., S. Zoughaib, and S. Atallah. September 2023. "Lebanon's 2023 Draft Budget: Aimless Expenditure." The Policy Initiative; Maktabi, W., G. Dagher, S. Zoughaib, and S. Atallah. September 2023. "Lebanon's 2023 Draft Budget: Taxing the many, sparing the rich." The Policy Initiative.

<sup>24</sup> Maktabi, W., S. Atallah, and S. Zoughaib. January 2024. "Lebanon's 2024 Draft Budget: Blindly curbing the fiscal deficit." The Policy Initiative; Maktabi, W., S. Atallah, and S. Zoughaib. January 2024. "Lebanon's 2024 Budget: A lose-lose situation for people." The Policy Initiative.

<sup>25</sup> World Bank. May 2023. "Normalization of Crisis is No Road for Stabilization." World Bank Group.

**Capital Control:** The long-anticipated capital control law is currently stalled in parliament, with at least six versions never materializing. Although joint committees approved a capital control draft law in January 2023, it has not progressed through the parliament. Moreover, the submitted draft law fails to meet the IMF's requirements and comes already four years into the crisis, rendering its impact doubtful.

*The dismal progress on the three agendas can be explained by an implicit consensus among ruling political parties to reject structural reforms that pose a threat to their narrow political and economic interests.*

Even though Lebanon has suffered from deep political paralysis under a caretaker government, no president, and a parliament lacking a clear majority, these institutional factors are not the main causes for a lack of reform. In fact, Lebanon's delay in passing and implementing reforms is perennial and predates the 2019 crisis, as the yield from the three reform agendas is in line with previous conditionalities when political institutions were at full capacity.<sup>26</sup> Instead, the dismal progress on the three agendas can be explained by an implicit consensus among ruling political parties to reject structural reforms that pose a threat to their narrow political and economic interests, choosing to preserve the status-quo instead.

## 5 WHAT THE STATE HAS DONE?

While the state has failed to undertake any serious reforms in the last four years, this section aims to shed light on what political institutions—the parliament and government—are focusing. To this end, we assess changes in legislative activity and policy attention of the Lebanese state under altering socioeconomic and political conditions. This section relies on primary and secondary legislation published in the Official Gazette—the journal where legal texts are promulgated to become binding—as tangible expressions of the government and parliament's areas of focus. Analyzing the quantity and substance legislation provides empirical evidence on the topics that ruling politicians pay attention to and prioritize. Lebanon's legislation data—a representation of its political agenda—is the primary accessible and systematic resource capable of providing insights into legislation that political representatives have attended to instead of driving reforms forward.

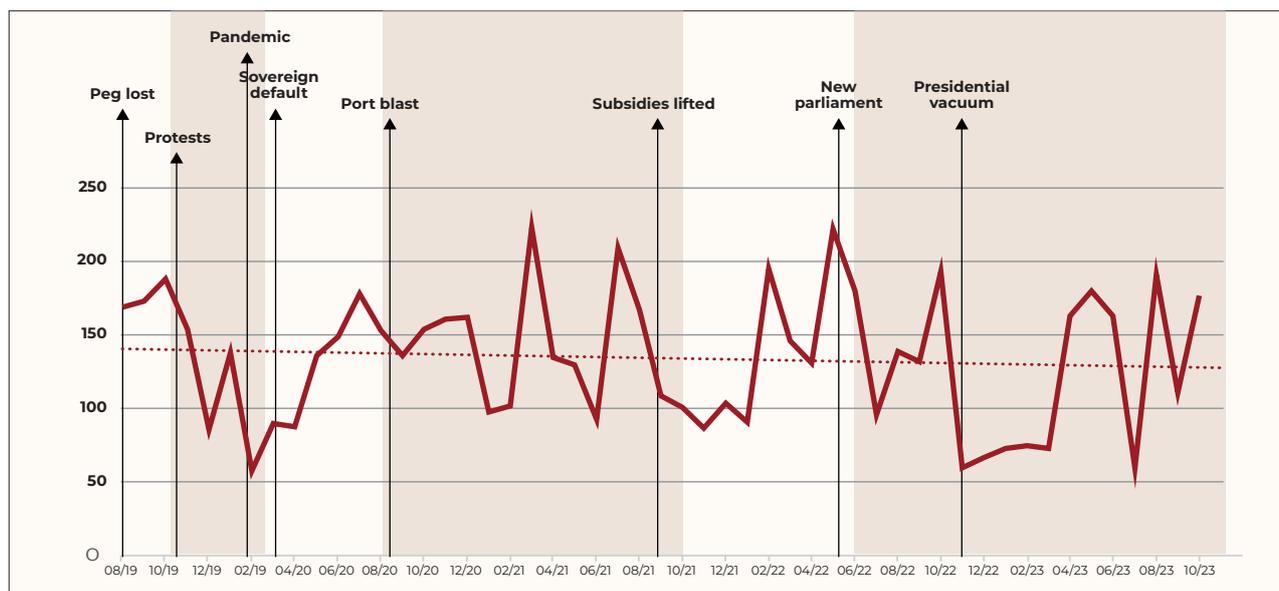
### 1. Overview: Legislative activity appears resilient despite a modest downward trend

Between August 2019 and October 2023, Lebanon faced major economic and political disruptions that shaped its legislative activity (Figure 2), with the government and parliament collectively issuing 6,800 texts.<sup>27</sup> The 2022 elections changed the parliament's composition, and a presidential vacuum has constrained its legislative prerogatives. Over the same period, three prime ministers and extended caretaker mandates overlapped with the presidential vacuum—yielding a double-vacuum in the executive for the first time in the country's history.

<sup>26</sup> Maktabi, W. et al. May 2023. "Limits of Reform and Conditionalities in Lebanon's 3RF." The Policy Initiative; See for example Paris III, CEDRE, the Hassan Diab ministerial statement, and the French-endorsed plan: Atallah, S., M. Mahmalat, and S. Zoughaib. 2018. "CEDRE Reform Program: Learning from Paris III." Lebanese Center for Policy Studies; Atallah, S., G. Dagher, and M. Mahmalat. 2019. "The CEDRE Reform Program Needs a Credible Action Plan." Lebanese Center for Policy Studies; Maktabi, W. and S. Zoughaib. 2020. "The Government Monitor No. 14 – Cabinet's 100-day pledges: 89% Incomplete." Lebanese Center for Policy Studies; Maktabi, W. and S. Zoughaib. 2020. "The Government Monitor No. 16 – The Government Monitor No. 16 – The French-Endorsed Plan: Rebranding Old Reforms." Lebanese Center for Policy Studies.

<sup>27</sup> In November and December 2023, the state issued 174 decrees, 49 decisions, and 11 laws in the Official Gazette.

Figure 2: Lebanon's legislative activity and key events between August 2019 and October 2023



Note: Shaded area indicates period under caretaker government rounded to the nearest month; We compute legislative activity as the sum of laws, decrees, and decisions. Source: Laws, decrees, and decisions retrieved from Official Gazette

## 2. Parliament in focus: Increasingly dysfunctional

Despite its changing composition following the 2022 election, Lebanon's parliament still consists of legislators whose allegiances lie with the same political and economic interests that drove the country into collapse.<sup>28</sup> This is evidenced by parliament's continued resistance to reforms and its growing dysfunctional performance across its legislative and presidential election responsibilities.<sup>29</sup> Moreover, the inability—or refusal—of ruling political parties to elect a president since November 2022 has constrained parliament's legislative prerogatives, with several parliamentarians boycotting sessions.

### Zooming in on parliament's activity

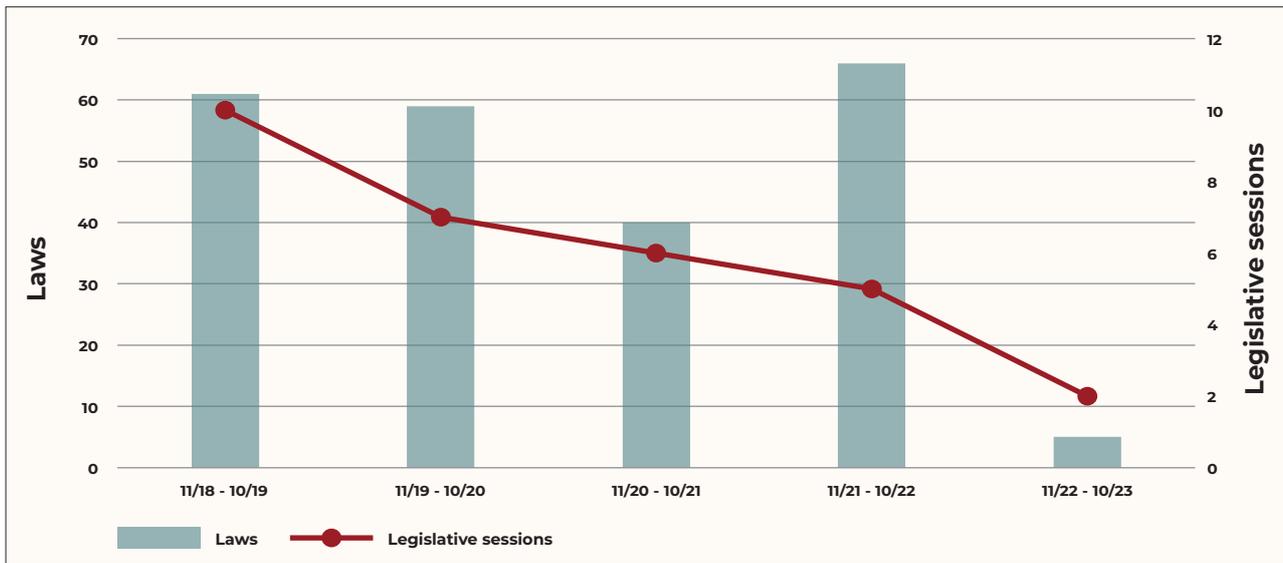
To analyze the performance of the parliament over the last four years, the studied period is divided into three phases based on socioeconomic and political conditions. The first phase covers November 2018 to October 2019 and serves as a benchmark for the analysis. The second phase is the crisis period, spanning from November 2019 to October 2022, which is subdivided into three one-year timeslots to standardize the comparisons with the other phases. The third phase covers the period when Lebanon entered a presidential void during the crisis, from November 2022 to October 2023.

Parliament's number of sessions and output of laws since November 2019 is marked by two contractions. The first is a modest downward trend in the second phase (between November 2019 and October 2022), when the number of passed laws averaged 55 per year, close to pre-crisis levels of about 60 per year, and the number of legislative sessions declined from 10 per year to an average of 6. The second is a further decline in activity, when the number of sessions and number of laws between November 2022 — when Michel Aoun's presidential term ended — and October 2023 dropped significantly to five and two, respectively (Figure 3).

<sup>28</sup> Zoughaib, S. and W. Maktabi. May 2022. "How deep is Lebanon's bottomless pit?" The Policy Initiative; Maktabi, W., S. Zoughaib, and S. Atallah. July 2022. "Impoverish and Conquer: How has the state responded to the financial crisis?" The Policy Initiative. Mahmalat, M., S. Atallah, S. Zoughaib, and W. Maktabi. July 2022. "When elections don't matter?" The Policy Initiative.

<sup>29</sup> Parliament has an oversight responsibility that evades assessment due to the lack of accessible information.

Figure 3: Number of laws and legislative sessions between November 2018 and October 2023



Source: Laws retrieved from Official Gazette; Legislative sessions retrieved from Legal Agenda and Parliament website, "قوانين صدقت في مجاس النواب"

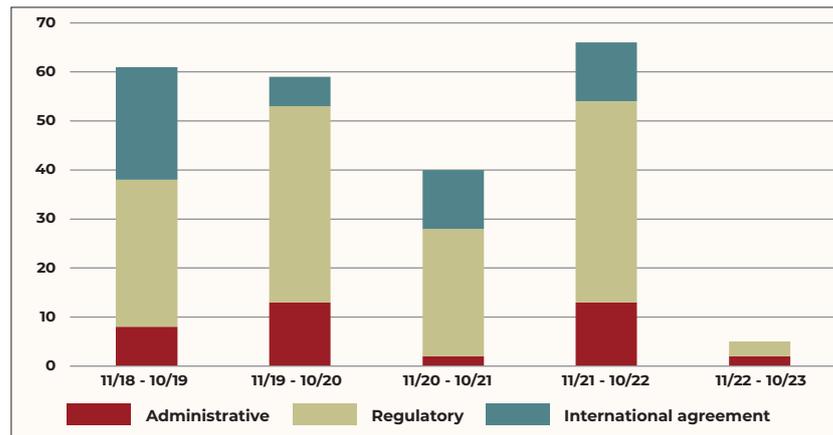
### Zooming in on parliament's output

Legislative texts can take one of three natures. The first is regulatory texts, which change an already existing rule or introduce a new generally applicable rule. The second is administrative texts, which apply already existing rules on individuals or institutions. The third is international agreements, which include the approval of foreign loans or grants and the signing of memorandums of understanding.

*The scope of parliament's regulatory agenda has reduced, yet key laws were passed during the crisis period.*

As laws in Lebanon rank the highest in the legal hierarchy—capable of reforming policy environments—most of parliament's output was regulatory in nature throughout the crisis (Figure 4). In addition to the reduction in the number of legal texts, there were no international agreements signed by the parliament during the presidential vacuum phase (between November 2022 and October 2023).

Figure 4: Parliament's laws between November 2018 and October 2023, by nature

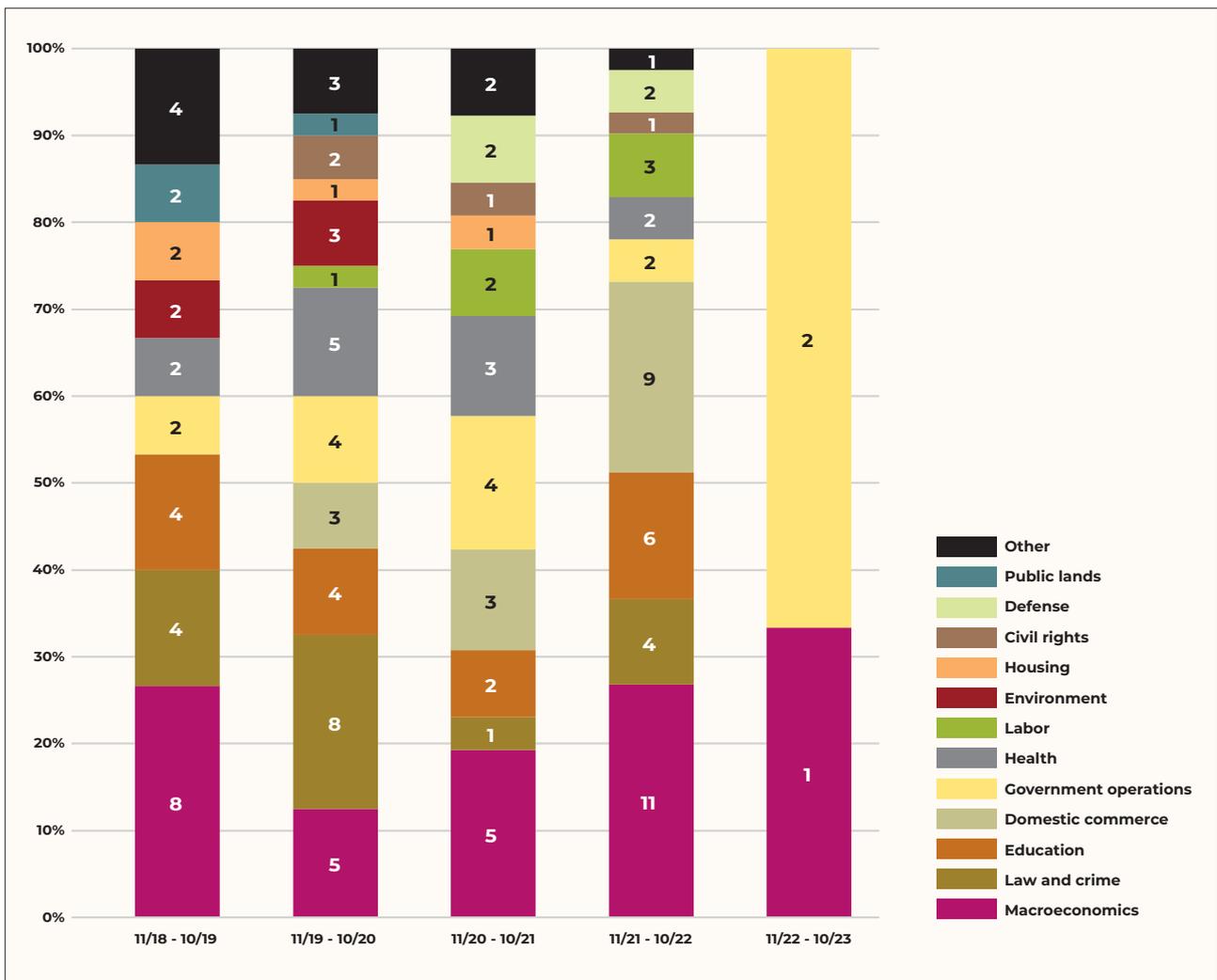


Source: Laws retrieved from Official Gazette

Furthermore, the scope of parliament’s regulatory agenda has reduced. This is particularly observed in the period between November 2021 and October 2022, as 70% of the regulatory agenda comprised only four topics compared to six in prior years, with macroeconomic texts growing in share at the expense of others (Figure 5). In fact, the near-paralysis of parliament’s activity between November 2022 and October 2023 renders temporal comparisons of the regulatory agenda futile, as there were only three regulatory laws in that period.

Of the key laws that passed during the crisis period are: two amendments to the banking secrecy law, which both fell short of meeting the requirements set by the IMF; National Anti-Corruption Commission; Covid-19 vaccine regulations; the new public procurement; the 2022 national budget, which was promulgated more than 10 months into the fiscal year; the Emergency Social Safety Net, which was delayed due to elite-level interference; the ration card program, which has yet to be launched; and postponement of the municipal elections.

Figure 5: Parliament’s regulatory agenda between November 2018 and October 2023



Source: 3RF Monitoring Framework; The Policy Initiative and Beirut Urban Lab

On the administrative side, parliament's laws mostly comprise financial transfers and opening credit lines, changing the names or delimiting the boundaries of municipalities and villages, and the correction of typographical errors, among others. No trend is discernable, apart from a growing number of credit line requests in recent years due to the lack of a budget law.<sup>30</sup>

### 3. Government in focus: Business as usual

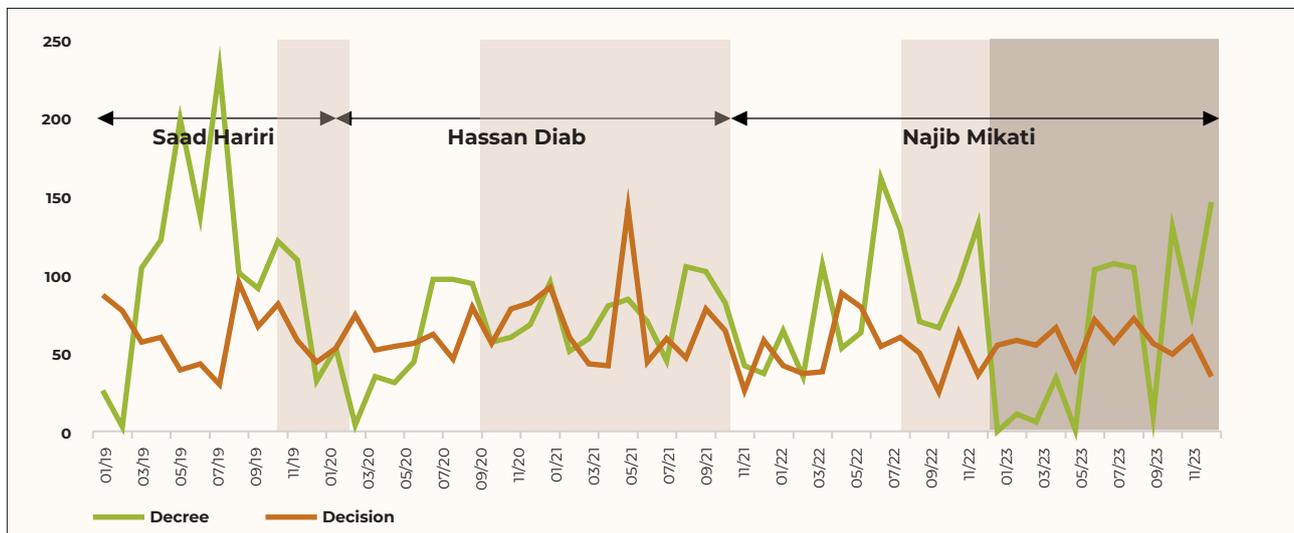
*Despite leadership changes and weakening capacity of Lebanon's executive authority, the output of decrees and decisions highlight resilience in some functions of governmental work.*

Three prime ministers held office during the crisis period, two in a caretaker capacity for most of their mandates. Former Prime Minister Saad Hariri's cabinet, which resigned on October 29, 2019, remained in a caretaker capacity for 85 days. Hassan Diab's caretaker cabinet lasted for 396 days, a record that was broken by Najib Mikati's, which reached 529 days as of October 31, 2023, a year of which Lebanon had no president. Despite leadership changes and weakening capacity of Lebanon's executive authority, the output of decrees and decisions highlight resilience in some functions of governmental work. Of particular note are licenses, which are particularistic, and tax extensions, which indicate weakening fiscal capacity and public financial management.

#### Zooming in on government's activity

To analyze how different statuses of executive capacities impact the quantity and quality of government output, we highlight three phases. First, a fully-capacitated executive authority when an ordinary government and a president are in office. Second, a semi-capacitated executive when a president and a caretaker government are in office, and a double-vacuum executive when a caretaker government is in power and there is no elected president.<sup>31</sup> The analysis relies on legislation data from January 2019 to October 2023, which is structured into periods of capacitated, semi-capacitated, and double-vacuum executive authority (Figure 6), separated by the date on which a government resigned, and president left office.

Figure 6: Government activity between January 2019 and October 2023



Note: Dark gray area indicates caretaker government and no president (double-vacuum executive); Light gray area indicates caretaker government with an active president (semi-capacitated executive); White area indicates ordinary government with an active president (capacitated executive).

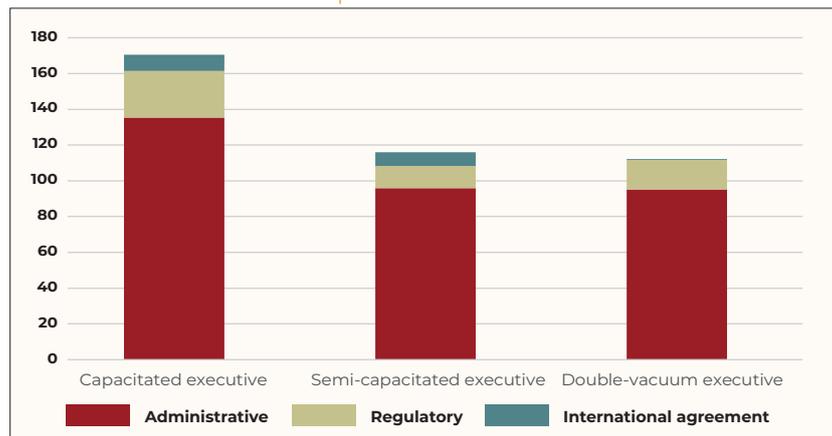
Source: Decrees and decisions retrieved from Official Gazette

<sup>30</sup> No budget law in 2021 and 2023; Budget law 2022 promulgated in November 2022.

<sup>31</sup> Structuring of the phases is as follows: Fully-capacitated executive includes January 2019-October 2019, February 2020-August 2020, and September 2021-May 2022; Semi-capacitated executive includes October 2019-February 2020, August 2020-September 2021, and May 2022-October 2022; Double-vacuum executive includes November 2022-October 2023.

Expectedly, the government's activity when it is in an ordinary capacity and with a president in place is higher compared to the other two phases. While the composition of texts by nature is unchanged, the average number of decrees and decisions issued per month contracts by one-third when the cabinet is resigned (second phase), from around 170 texts per month when there is an ordinary government and filled presidency (first phase), reaching as low as 110 when there is a double-vacuum in the executive (third phase; Figure 7). The main difference in the output between a semi-capacitated executive and a double-vacuumed is a decrease in international agreements to almost null.

Figure 7: Average number of decrees and decisions per month, by nature, under different executive capacities



Source: Decrees and decisions retrieved from Official Gazette

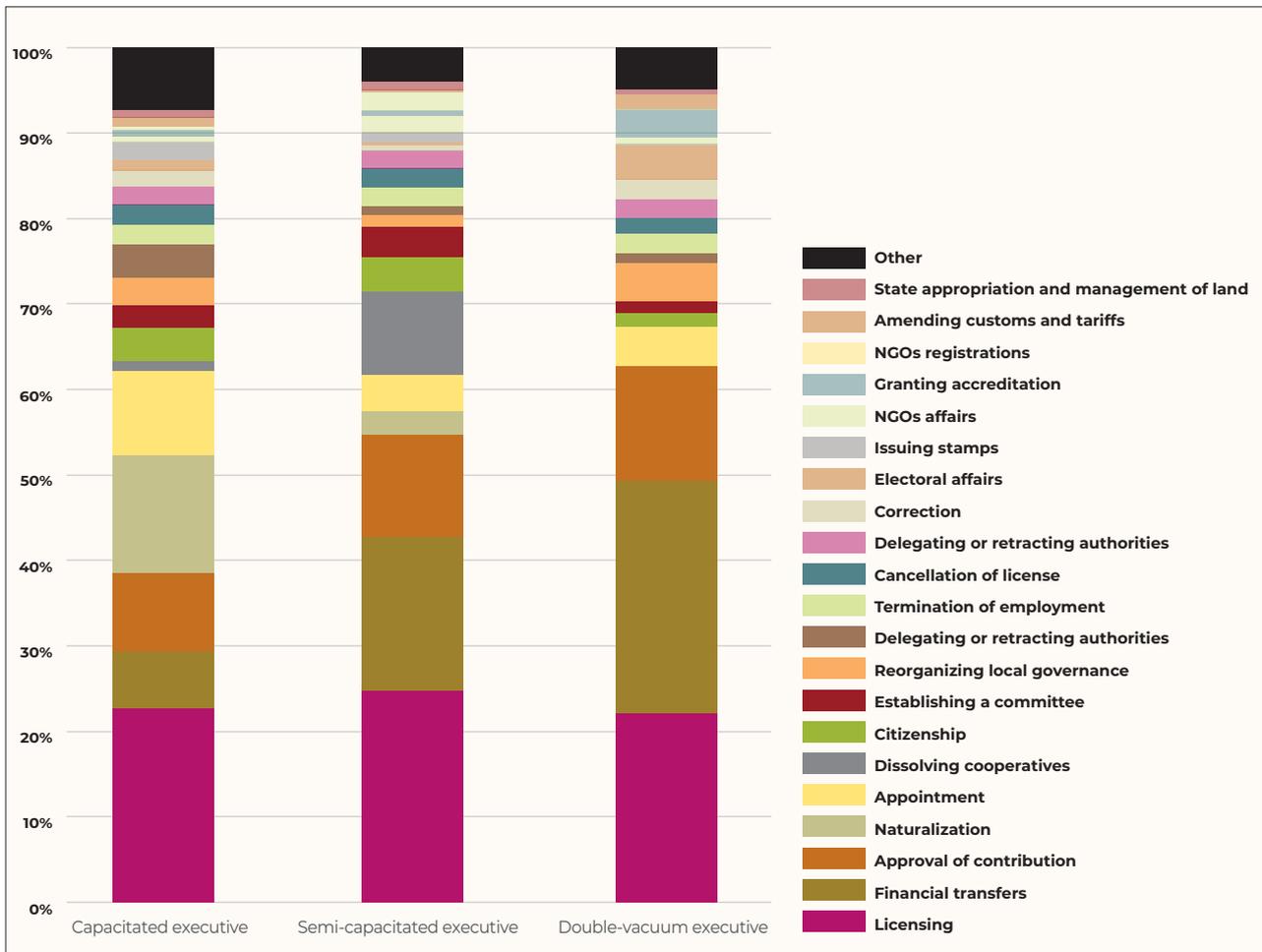
Macroeconomic texts occupy most of the government's regulatory agenda in each profile of the executive branch (Figure 8). Moreover, a caretaker government and an absent president seem to yield a less diversified regulatory agenda, with almost 80% of it comprising only three topics, compared to six topics under an ordinary executive branch.

Figure 8: Government's regulatory agenda under different executive capacities



Source: Decrees and decisions retrieved from Official Gazette

Figure 9: Government's administrative agenda under different executive capacities



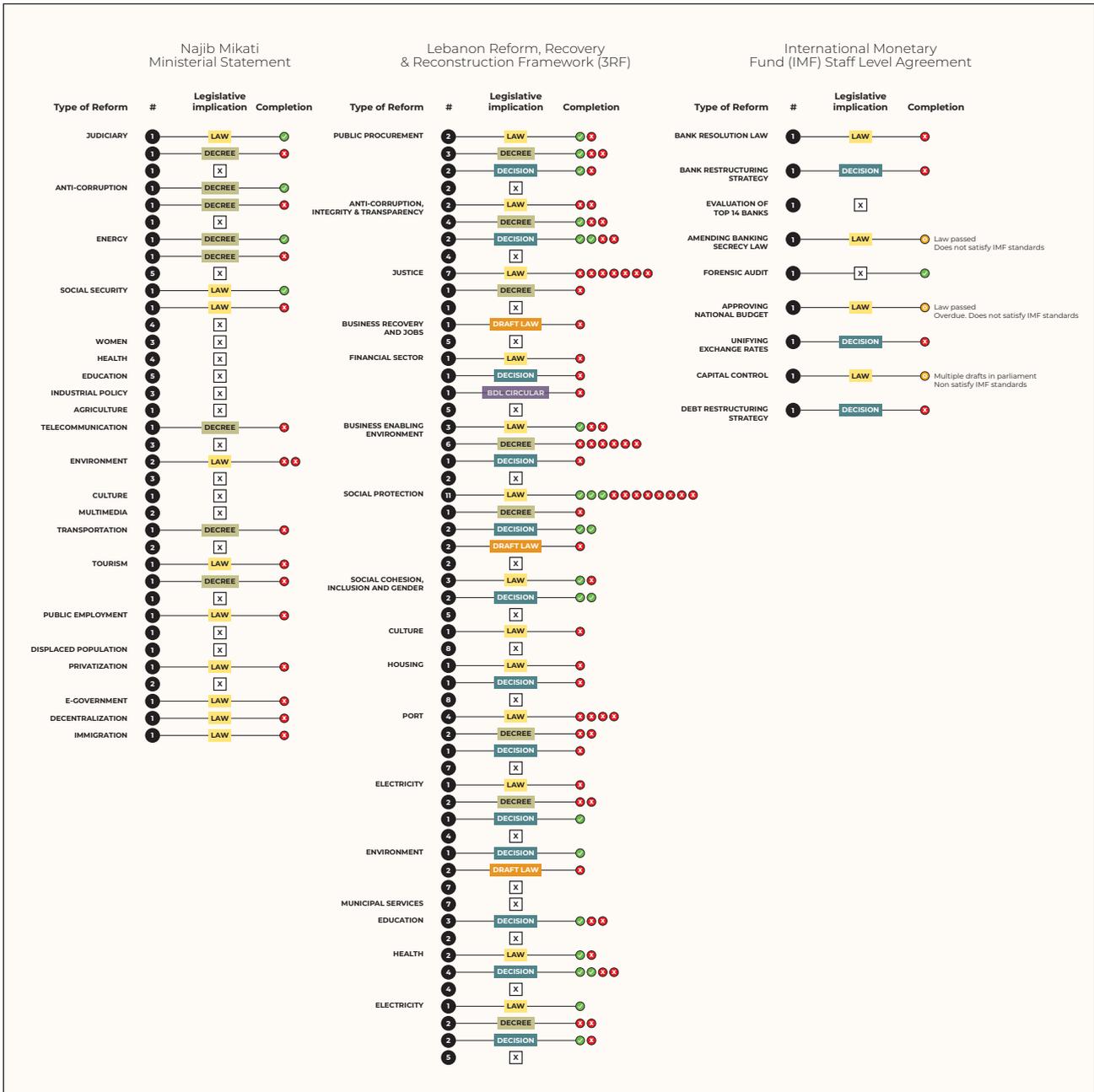
Source: Calculation based on data collected from Official Gazette

## 6 CONCLUSION

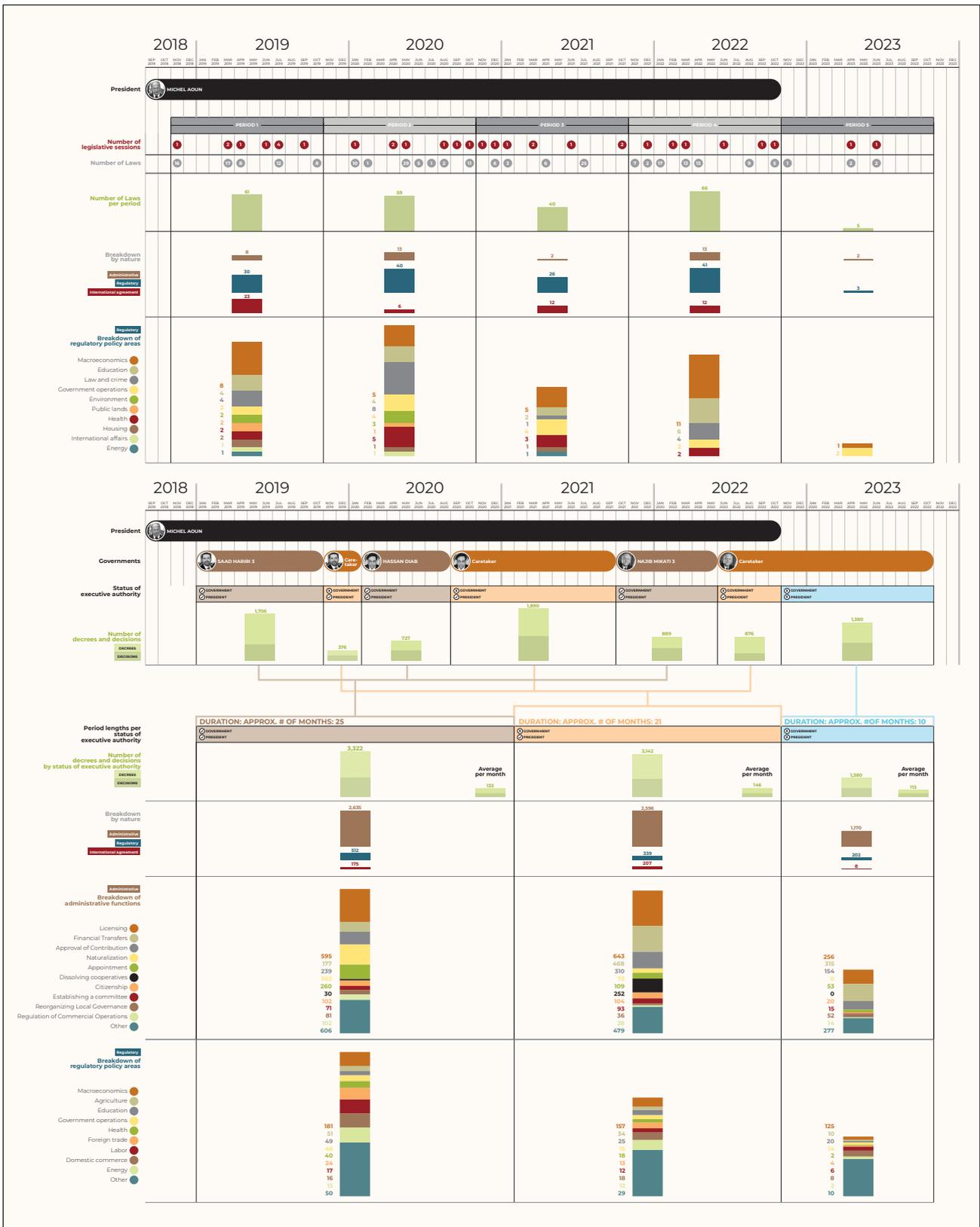
This report underscores a critical failure in the Lebanese state's legislative machinery and misaligned priorities between the political class and citizens. Hampered by a grip from narrow political and financial interests, the country's political institutions formulate policy agendas absent from developmental areas and deprived of orderly policymaking processes. There is an urgent need to address the detrimental effects of elite capture—which drove Lebanon into one of the most severe financial crises of the century—on reform outcomes. The focus should be on restoring conventional policymaking practices by capacitating vacant positions and strengthening the state by enhancing the transparency and accountability of political institutions so that they serve the public interest rather than a select few.

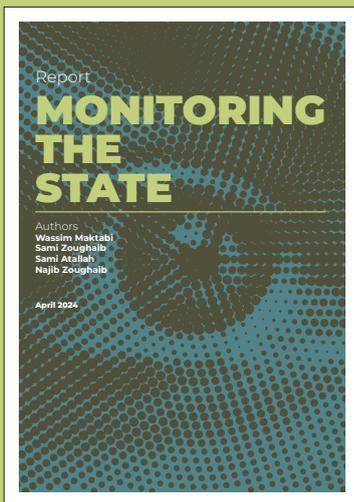
This entails a structural overhaul and activation of accountability agencies, including parliament's oversight role, to ensure politicians are held responsible and forge an orderly policymaking environment in which reforms can take root. To guide Lebanon toward a path of equitable socioeconomic recovery, it is of paramount importance for both domestic and international stakeholders to converge on a common reform agenda that is anchored in the principle of strengthening the state and improving its governance tools—such as legislation—as a primary conduit.

## ANNEX 1: TRACKING REFORMS



## ANNEX 2: TRACKING GOVERNMENT AND PARLIAMENT ACTIVITY





**THE**  
**POLICY**  
**INITIATIVE**  
[www.thepolicyinitiative.org](http://www.thepolicyinitiative.org)

TPI is a homegrown and independent think tank that aims to critically and empirically assess existing policies and to generate meaningful alternatives. We endeavor to shape a well-researched and evidence-based policy vision that is representative of the interests of the broader public and to empower people in demanding a better alternative.