



Pulling Lebanon out of the Pit

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Principal Findings

What's new? The impact of the COVID-19 pandemic on Lebanon's economy, which was already slowly imploding, has brought it to the brink of total collapse. Since October 2019, popular protests have pushed for greater accountability from an elite that, having engorged itself, seems incapable of instituting critical reforms.

Why does it matter? The accumulation of crises is driving ever greater numbers of Lebanese into absolute poverty. While the lockdown is gradually easing, the loss of jobs and purchasing power triggered new protests that are turning violent and may prefigure the disintegration of state capacity and institutions.

What should be done? Lebanon will need emergency external assistance to ward off the worst social consequences of the crisis. Beyond that, external actors and donors seeking to help the country exit the crisis should focus on efforts geared at rooting out corruption and clientelism.

Executive Summary

Three decades old, Lebanon's post-war order has become dangerously unstable. Protests that broke out in October 2019 revealed the degree to which many citizens reject a ruling elite that has enriched itself at their expense. Those in power have struggled to retain control but for months appeared too absorbed in habitual power games to address an economic meltdown in the making. The danger of inaction is clear. With so many people sliding toward penury, violence may swell. An uptick in protests in late April suggested that things may go that way, especially once the COVID-19 lockdown's full economic impact arrives. External donors such as the European Union and international institutions like the World Bank should prepare emergency humanitarian assistance to avoid the worst-case scenarios, but condition more substantial help on the government taking steps to fight corruption. Change will take years, but if aid can contain the immediate crisis, Lebanese actors may yet be able to steer the country out of the wreckage.

Lebanon has experienced mass protest over failing state services and economic and social grievances before, but the events in October and subsequent months dealt a serious blow to whatever legitimacy the political elites still enjoyed. They appeared to grasp the depth of the crisis only belatedly, believing that they could weather the storm with rhetorical exercises of voicing sympathy and pledging reforms. The established parties have been so fixated upon their struggle to retain or improve their share of power's spoils that they have been unable to see the foundations of the political order that sustains them crumbling. While signs of impending crisis were clearly visible well before October, it took them more than six months after the protests began to produce a roadmap out of the country's economic calamity.

The economic crisis is without precedent in the country's history. Highly import-dependent, Lebanon has run out of foreign currency to pay for what it consumes, while the state is printing money to pay salaries and is unable to service the public debt. Banks have imposed tight capital controls, which have staved off financial collapse until now, but only by bringing much of the economy to a standstill, manifested in soaring unemployment. Many businesses have failed, and the state of "medical emergency" imposed since 15 March to combat COVID-19's spread will likely be the last nail in the coffin for many more. While a curfew stifled demonstrations and police cleared away the protest camp in downtown Beirut, street actions in late April suggest that virus-related hardships could trigger more unrest. Crunch time may come when the state, strapped for cash as tax revenue collapses, cannot meet the public-sector payroll or when hyperinflation wipes out the real value of people's incomes. State institutions, including the police, may start to disintegrate, and what have been mainly peaceful protests could turn violent.

The current scenarios speak of doom and gloom, but there may also be grounds for hope. The collapse of the post-war economic and political model could open the way for a more productive economy that weans a growing part of society off its dependency on clientelist networks, allowing for a more representative politics and increased accountability. Lebanon will need emergency humanitarian assistance to ward off the worst social consequences of the economic implosion. Beyond that,

donors should focus on supporting structural reforms that help root out corruption and clientelism in the process of creating conditions that allow the economy to restart. And all outside actors should refrain from exploiting the Lebanese crisis to score points in regional conflicts; instead, they should leave it to the Lebanese themselves to negotiate how to rebuild their country's political order.

Beirut/Brussels, 8 June 2020

Pulling Lebanon out of the Pit

I. Introduction

Between late 2016 and December 2019, Lebanon was ruled by an alliance of the Free Patriotic Movement (FPM), a Christian group founded by President Michel Aoun, the Future Movement, headed by former Prime Minister Saad Hariri, and the two main Shiite parties: the Amal Movement, led by Parliament Speaker Nabih Berri, and Hizbollah, led by its secretary-general, Hassan Nasrallah.¹ This alliance put an end, if temporarily, to the debilitating polarisation between a camp aligned with the U.S. and its European and Arab allies (known as “14 March” after a huge demonstration on 14 March 2005 in Beirut against the Syrian military presence in Lebanon) and forces aligned with the “axis of resistance”, ie, Iran, Syria and a host of allied non-state actors (known as “8 March” after a smaller but still sizeable pro-Syrian rally on 8 March 2005).

Most of the other parties represented in the Lebanese parliament, along with a smattering of nominal independents, are closely aligned with these parties; some became junior partners in two successive national unity governments formed in December 2016 and February 2019. The country thus lacked an effective political opposition that could have challenged government policies or channelled popular grievances in the national debate. Parliamentary elections in May 2018, apart from weakening the Future Movement and strengthening the FPM as well as Amal, were marked by lacklustre participation, suggesting low trust in the political process.² Permanent infighting hobbled governance and further deepened the public perception that the political elite was either oblivious to mounting social problems or incapable of tackling them.³

Over the past decade, Lebanon had seen waves of protest against an elite seen as detached from the public’s experience of high unemployment, particularly among youth, and deteriorating services.⁴ Nothing, however, appears to have prepared these

¹ This alliance, which paved the way for Aoun’s election as president and Hariri’s nomination as prime minister, emerged after two years of stalemate that had left the presidency vacant and the government largely unable to function. See Bachar Halabi and Rabih Jamil, “Lebanon: From the 1984 Intifada to the 3rd Republic”, Italian Institute for International Political Studies (ISPI), 12 February 2019.

² Heiko Wimmen, “In Lebanon’s Elections, More of the Same is Mostly Good News”, Crisis Group Commentary, 9 May 2019.

³ “No state, no government’: weary Lebanese mark 75 years of independence”, Reuters, 22 November 2019; and Helen Sullivan, “The Making of Lebanon’s October Revolution”, *The New Yorker*, 29 October 2019.

⁴ In February and March 2011, the wave of popular uprisings in the Arab world brought youth-led protests to Lebanon as well, under the slogan, “The people want the fall of the sectarian regime/system”. Heiko Wimmen, “Divisive Rule: Sectarianism and Power Maintenance in the Arab Spring – Bahrain, Iraq, Lebanon and Syria”, German Institute for International and Security Affairs, March 2014. In August 2015, the collapse of Lebanon’s garbage disposal system triggered protests that peaked with a demonstration of some 100,000 on 29 August 2015. Elite tactics of divide and rule, token concessions and fear of violence instigated by thugs allegedly linked to one of the ruling parties then caused

leaders for the popular wrath that burst out in October 2019, including among their own constituents, or for these protests' spread throughout the country. The unrest brought home that trust in not just the leadership, but the entire order established after the 1975-1990 civil war, has reached a nadir, with politicians continuing to play power games even as an economic and fiscal crisis was wiping out people's savings and livelihoods. The shutdown of non-essential sectors, imposed between mid-March and late April to combat COVID-19, has accelerated the slide toward economic collapse. Restrictions were only partly lifted in May. Increasingly, vulnerable parts of Lebanese society are falling into dire poverty, to a point where they will soon need food aid to survive.⁵ This trend is even more pronounced among Lebanon's 1.5 million-strong refugee population.⁶

This report seeks to illuminate the drivers of the crisis, the dynamics that could make matters worse and the potential impact on Lebanon's stability and viability as a state. It then proposes some possible ways out. It is based on some 60 interviews conducted with Lebanese politicians from among the established parties, opposition politicians of different stripes, activists from the current as well as previous protest movements, diplomats representing countries with significant influence on Lebanese political dynamics, and international institutions with a stake in pulling Lebanon out of the pit.

the movement to dissipate. Crisis Group telephone interview, Lebanese political scientist, 16 January 2020. See also "Why Lebanon's 'You Stink' movement lost momentum", *Al-Monitor*, 23 October 2015.

⁵ "If your child is hungry, you will eat your rulers to feed your children': how a Lebanese city was pushed over the edge", CNN, 2 May 2020.

⁶ "Food insecurity in Lebanon", *The Executive*, 1 May 2020.

II. The October Uprising

Austerity measures and new taxes discussed in a cabinet meeting on 17 October 2019 were the straw that broke the camel's back. Lebanese had suffered years of failing public services and state negligence, most visibly a dismal electricity supply, massive pollution and the breakdown of garbage disposal, which they attributed to deeply embedded corruption.⁷ Political infighting compounded the governance problem by repeatedly paralysing state institutions. As a result, the cost of living ballooned, salaries stagnated and unemployment rose, prompting a significant proportion of the country's well-educated youth to emigrate.⁸ On the evening of 17 October, groups of youths – apparently coordinating among each other over spontaneously formed social media networks – took to the streets in response to the austerity measures discussed during the cabinet meeting. They closed major intersections in and around Beirut with burning tires.

Over the next days, the protest spread to other areas, bringing much of the country to a standstill.⁹ On the first weekend following the outburst, huge crowds congregated in downtown Beirut, calling for the ouster of the entire political elite under the slogan "*kullun ya'ni kullun*" (in Lebanese Arabic, "All means all [must go]").¹⁰

A. *Elite Manoeuvring*

Political parties reacted swiftly in an attempt to harness the protests for their benefit. On 19 October, Samir Geagea, leader of the Lebanese Forces (LF), a Christian party, withdrew its ministers from the government, citing a "lack of will to reform", and called on its members to join the protests "as citizens", ie, without displaying party symbols or pushing for a partisan agenda, in a bid to force the ruling coalition of the FPM, Future Movement, Amal and Hizbollah from power.¹¹ The (likewise Christian) Kataib party, one of the few in parliament left out of the national unity government,

⁷ See "Lebanon's electricity crisis", *The Executive*, 17 December 2018; "Special report: Lebanon's pollution crisis", *France 24*, 20 November 2019; "Garbage crisis continues to heap misery on Lebanese people", *The National*, 7 March 2019; and "Lebanon, pushed to the brink, faces reckoning over graft", *Reuters*, 20 October 2019.

⁸ See "The cost of living in Lebanon's inflated economy", *An-Nahar*, 24 September 2018; "Tax hike, stagnant wages spark protests in Beirut", *AP*, 19 March 2019; "Unemployment in Lebanon", Lebanese Republic Economic and Social Council, March 2019; and "Youth Employment in Lebanon: Skilled and Jobless", Lebanon Center for Policy Studies (LCPS), 10 May 2013. In 2019, emigration increased by 40 per cent compared to the previous year, from around 40,000 to 60,000. "Disturbing figures on emigration", *Information International*, 6 December 2019; and Ghassan Hage, "On belonging to a country that cannot keep its children", *The Public Source*, 18 February 2020.

⁹ Crisis Group field observations, 17-18 October 2019. For a day-to-day account of the protests, see "The revolution diaries", Moulahazat (blog).

¹⁰ "Lebanon's mass revolt against corruption and poverty continues", *The Guardian*, 21 October 2019. The slogan goes back to the 2015 "You Stink" protests. "Why 'all means all'?", *An-Nahar*, 29 September 2015 (Arabic).

¹¹ Press conference of Samir Geagea, *Al Arabiya*, 19 October 2019 (Arabic). Geagea subsequently said that the Lebanese Forces had arrived at this conclusion several months prior and thus had already been pondering the need for the government to resign. Crisis Group interview, Samir Geagea, Maarab, 21 November 2019.

followed the same strategy, and both parties proceeded to deploy their mobilising capacity among Lebanon's Christians, scoring points in particular against their main Christian rival, the FPM.¹² The Progressive Socialist Party (PSP), a Druze movement led by Walid Jumblatt, initially appeared poised to perform the same manoeuvre as the Lebanese Forces, then decided to stick it out with the Hariri government.¹³

From among the ruling alliance, Foreign Minister Jibril Bassil, the FPM leader, was the first to issue a statement, after meeting President Aoun (his father-in-law) on 18 October.¹⁴ Few, if any, appeared convinced by his attempt to present his party as a beacon of reform and economic probity shrouded by others, while protesters rejected his warnings of a "fifth column" among them set on sowing discord as patronising; a chant filled with expletives aimed at the foreign minister soon became popular.¹⁵ On 18 October, Hariri blamed his government partners for blocking sweeping reforms and set a 72-hour deadline for the government to prepare a reform plan, implicitly threatening to resign if it failed to produce one.¹⁶ The next day, Hizbollah Secretary General Nasrallah went on television to demand that parties that had been in government over the past decades live up to their responsibility to govern.¹⁷ While sympathising with the protesters, he echoed his ally, the foreign minister, in warning that the government's resignation would create a power vacuum that would pre-empt reform and destabilise the country.¹⁸

¹² A senior Kataib official said, "We were the opposition, and we had campaigned for these demands for years, even when we were part of the government. So it was only logical for us to be in these demonstrations". Crisis Group interview, 18 November 2019.

¹³ PSP Secretary General Zafer Nasser said that party members exerted great pressure on the leadership to withdraw from the government. "We decided to stay out of solidarity with Hariri", he said, "but it cost us a lot". Crisis Group interview, Beirut, 21 November 2019.

¹⁴ Press conference of Jibril Bassil, eXtra News, 18 October 2019 (Arabic).

¹⁵ "Why is Bassil the main target of Lebanon's protesters?" *L'Orient Le Jour*, 23 October 2019. Bassil's political positions often antagonised friend and foe alike (for example, refusing to call Israel an enemy or making hostile comments about Syrian refugees in Lebanon). Equally damaging were accusations of corruption. See "A looming shadow: serious concerns over transparency in Lebanon's oil and gas process", *The Executive*, 15 October 2013; and "How did Minister Bassil acquire \$22M of real estate?", *Beirut Report*, 3 November 2019. Still a third problem for Bassil was the impression that he owed his political ascent in the FPM mainly to his marriage to Aoun's daughter. "Gebran Bassil: Lebanon's favourite punching bag", *Raseef22*, 25 October 2019 (Arabic). These accusations hit a particularly sensitive spot, as fighting graft and nepotism was one of the original party platform's main planks. See Heiko Wimmen, "Rallying Around the Renegade", *Middle East Report*, 27 August 2007.

¹⁶ Saad Hariri, televised address, Al Arabiya, 18 November 2019 (Arabic).

¹⁷ Nabih Berri, the leader of the Shiite Amal Movement who became a major target of popular anger, notably in the mostly Shiite south, made no public appearance or statement during the protests' first days, while thugs allegedly affiliated with Amal (and sometimes displaying its symbols and flags) repeatedly attacked protesters. "Gunmen break up protests against Berri in Tyre", *Naharnet*, 19 October 2019. The movement itself has consistently disowned such behaviour, describing it as a "spontaneous" reaction to public denunciations of Berri and other Shiite leaders. Crisis Group interview, senior Amal official, 18 February 2020. See also "Nabatieh rises against Hezbollah and Amal", *Arab News*, 26 October 2019.

¹⁸ Hassan Nasrallah, televised address on the occasion of the Arbain religious celebration, 19 October 2019 (Arabic); English transcript available from *Al-Ahed News*. A Hizbollah supporter and researcher with extensive knowledge of the party environment said, "The initial uprising was entirely spontaneous, but the leadership saw an opportunity in it. Known party members participated in the

Neither these exhortations nor the reform plan that Hariri announced on the evening of 21 October stemmed the tide.¹⁹ Protesters continued to block roads and burn tires and called for a general strike. While far from unified, the street shifted its demands toward the ruling elite's wholesale removal, new elections and an end to the entrenched system of sectarian political representation and allocation of public resources (*muhasasa*).²⁰

Strikingly, sectarian sentiment, often called the currency of Lebanese politics, appeared almost completely absent from the impromptu debates and discourses in the streets and squares, with adherents of the 14 March and 8 March political groupings expressing their slightly different demands side by side, along with unaligned protesters.²¹ Notably, the protests initially received significant popular support in Beirut's southern suburbs and other parts of the country overwhelmingly populated by Shiites and dominated by Hizbollah and the Amal Movement.²²

That gradually changed. Toward the end of the first week, Hizbollah supporters, who could not accept to hear their leader criticised in public, increasingly engaged in altercations with other protesters.²³ Hizbollah's Al-Manar TV station replaced its originally sympathetic protest coverage with segments highlighting hardships created by disrupted transport and supply lines, along with language linking roadblocks, the primary protest tactic, to practices associated with the civil war, when militias often abused and sometimes abducted or even killed civilians at checkpoints.

B. *Hizbollah as Status Quo Power*

In a second televised address, on 25 October, Nasrallah reversed his qualified support, claiming that political operators in the service of established parties and foreign embassies had hijacked the protests and turned them against the "resistance" (a term referring to both Hizbollah's stance against Israel and its armed structures and arsenals outside state institutions). He warned of civil war and instructed his follow-

protests, and that gave an implicit green light to the Hizbollah-leaning parts of the Shiite community that it was OK to join in". Crisis Group interview, Beirut, 10 December 2019. A senior Hizbollah official said, "Many of [the protesters'] demands reflected what we have been pushing for since the government was formed and before, so we saw this as a good occasion to make progress on them". Crisis Group interview, Beirut, 7 November 2019. He later added, "80 per cent of the content of the reform paper that Hariri presented reflected our demands". Crisis Group interview, Beirut, 28 November 2019.

¹⁹ Saad Hariri, televised press conference, Nile News, 21 October 2019 (Arabic); "Lebanon's Hariri announces reform package after days of protests", France 24, 21 October 2019. Lebanese commentators criticised the lack of a comprehensive approach to institutional change without which reforms would not succeed. Sami Atallah, "Lebanese Protests: Lack of Trust in the System", LCPS, November 2019.

²⁰ Heiko Wimmen, "Lebanon's Revolt", Crisis Group Commentary, 21 October 2019.

²¹ Crisis Group field observations, Beirut, 18-25 October 2019. Hizbollah supporters focused in particular on the fiscal crisis, staging protests outside the Central Bank, which also drew small leftist groups, in parallel to the main demonstrations downtown. Rima Majed and Lana Salman, "Lebanon's Thawra", *Middle East Report*, 292/293 (Fall/Winter 2019).

²² Crisis Group field observations, 17-19 October 2019. See also "Nabatieh rises against Hezbollah and Amal", op. cit.; and Joey Ayoub, "Lebanon: A Revolution against Sectarianism", CrimethInc., 13 November 2019.

²³ Lebanon Live Map, 25 October 2019.

ers to leave the protest squares.²⁴ Several hundred of them, who had congregated in Martyrs' Square shortly before the address and followed the speech over loudspeakers, promptly responded by performing a well-choreographed walkout.²⁵

Since that day, Hizbollah has kept a clear, at times hostile distance from the protest movement. Repeated attacks on protesters by thugs flying Hizbollah and Amal flags took on increasingly sectarian undertones, while the two parties used social pressure and threatening postures by supporters to reduce, though not entirely suppress, expressions of dissent in parts of the country they dominate.²⁶ Thus, by the second week, protests and roadblocks were largely confined to some predominantly Christian, Sunni and Druze areas and absent from predominantly Shiite areas, resurrecting the 14 March vs. 8 March polarisation that the 2016 alliance between Aoun and Hariri had supposedly resolved and that the shared grievances that erupted on 17 October had temporarily transcended.²⁷

To justify the shift, Hizbollah leaders and supporters point to what they argue were significant changes in the protests' composition and orientation during the course of the first week. By their assessment, a movement that had largely originated among poorer youth increasingly acquired a middle-class demography, which they saw as evidence that social issues such as rescinding new taxes and austerity measures were no longer the main drivers.²⁸ They cite the alleged presence and influence of political parties and operators whom they believe serve Western interests, in particular the Lebanese Forces, as evidence that the protests had become part of a concerted effort to alter the balance of power to the detriment of Hizbollah and its allies.²⁹ A senior Hizbollah official said:

²⁴ Televised address, 25 October, 2019 (Arabic); English transcript available from *Al-Ahed News*.

²⁵ Crisis Group field observations, 25 October 2019.

²⁶ "Hizbollah, Amal supporters attack main Beirut protest camp", *The New Arab*, 29 October 2019. The Hizbollah supporter/researcher said, "It is inaccurate and unfair to look at this as a top-down led campaign. Developments were fast-paced and the Hizbollah central leadership was often too preoccupied with the larger picture, and not responsive to local officials, who would then act as they saw fit, which wasn't always appropriate. The Amal leadership was often unable to control their base, and Hizbollah could not easily interfere with them – that would have created tension. Quite often, these young people were simply left to their own devices". Crisis Group interview, Beirut, 10 December 2019. The Amal official said, "We were the favourite scapegoat for everybody, including our allies. In reality, nobody had their people under control. This is not Europe: if leaders are insulted in front of their followers, people will kill for that". Crisis Group interview, Beirut, 18 February 2020. See also Joseph Daher, "Hizbollah and the Lebanese popular movement", IEMed, February 2020. As in previous rounds of political confrontation, Lebanese Christians were divided between FPM followers, allied with Hizbollah, and supporters of parties previously considered part of the 14 March alliance (Kataib and Lebanese Forces), who joined the protests along with independents. "Army intervenes as Kataeb-FPM supporters clash", *The Daily Star*, 26 November 2019.

²⁷ For example, in the northern port city of Tripoli, often portrayed as a hotbed of Sunni Islamist extremism, youths from Sunni and Alawi quarters, who had confronted each other in sectarian clashes in the past, joined ranks, expressing solidarity with predominantly Shiite-populated areas such as Baalbek or Nabatiya, where protesters faced off with the Shiite parties. See fns 17 and 22 above. "Lebanon's Tripoli rises above lingering effects of war to revolt", *Mada Masr*, 29 October 2019.

²⁸ Crisis Group interviews, senior Hizbollah official, Beirut, 7 November 2019; academic researcher specialised in Hizbollah, Hazmiya, 5 November 2019.

²⁹ LF leader Geagea retorted by saying that Hizbollah appeared "in denial" of the degree to which they, along with the other status quo parties, had been discredited in the eyes of their constitu-

You have a lot of good people in there. Leftists, marginalised youths, people who support the resistance, who want to fight corruption. But there is another component that wants something else, that is much more politicised. They want to drag the movement back into traditional Lebanese politics, which we reject. We have no issue with bringing in new people, people who speak for this movement. But using it to change the balance of power between the traditional political players, this we won't accept.³⁰

The official also claimed that the protest movement had failed to formulate, much less create consensus around, a program for systemic change, and that attempting any significant change to the existing political order would be impossible, if not dangerous, during a period of heightened regional tensions.³¹

That Hezbollah would emerge as a defender of the Lebanese status quo should not come as too much of a surprise. After years of pitched political battles and a mini-civil war in May 2008, the tripartite alliance with the Future Movement and FPM forged in 2016 had established the party both firmly within the state and yet autonomous from it, endowing it with enough political and institutional clout to pre-empt any attempt to rein in its activities.³² These comprised its armed posture, purportedly aimed at deterring Israeli attacks and, more recently, support for allies within the "resistance camp", such as Syrian President Bashar al-Assad.³³ It also established the party firmly as a legitimate political actor and provided it with allies with strong external connections and credibility, in particular Prime Minister Hariri, thus thwarting U.S. efforts to isolate it.

Hezbollah's fear that changes in Lebanon would be used to undermine it was rooted in its experience. It has long been a target of U.S.-led attempts to isolate it, a drive that the Trump administration intensified in 2019 in tandem with its "maximum pressure" campaign against the party's main external sponsor, Iran. As a result of U.S. sanctions against Iran and Hezbollah, the party has suffered a notable reduction in its financial resources; U.S. officials and other Hezbollah detractors claimed that

cies. Geagea said he gave LF members instructions to not seek leadership positions in the protests. Crisis Group interview, Maarab, 21 November 2019.

³⁰ Crisis Group interview, Beirut, 7 November 2019. A prominent FPM member interviewed around the same time – some ten days after Prime Minister Hariri's resignation – felt that the power balance had already changed: "We may have a majority, but we can't use it. Forming a government only from 8 March parties is unlikely to work and will come at a high price for Lebanon. We need Hariri, and he exploits this situation to get a better bargain, as any politician in his position would. You got your change in the balance of power right there". Crisis Group interview, Beirut, 9 November 2019.

³¹ The senior Hezbollah official added, "The transition toward a non-sectarian notion of citizenship is still incomplete. During the first days, I had discussions with people from the protest movement. They told me they wanted new elections. So I asked, 'Is there consensual support for elections outside of the sectarian system?' They said they needed to discuss this. Then they came back with the answer that there is no consensus. Once you touch upon the essential questions, the differences appear immediately". Crisis Group interview, Beirut, 7 November 2019.

³² "Hezbollah takes over west Beirut", BBC, 9 May 2009.

³³ Halabi and Jamil, "Lebanon: From the 1984 Intifada to the 3rd Republic", ISPI, op. cit.; and Michal Kranz, "Hezbollah's rainbow coalition", *Foreign Policy*, 9 August 2019.

the party's support base has begun to significantly erode as a result.³⁴ So persistent were these claims that even Nasrallah felt compelled to devote much of a speech in March 2019 to dispelling them.³⁵ Media coverage and statements by influential U.S. think-tanks and officials lent plausibility to party leaders' claims that Washington intended to harness the protest movement as part of its "maximum pressure" campaign against Tehran.³⁶

That a significant part of the protests, at least initially, emerged from poorer parts of the Shiite community rattled Hezbollah in other ways.³⁷ Standing up for the down-trodden is one of its foundational values; the impression that the party, once it became part of the government, had turned a blind eye to its partners' corrupt practices in exchange for being able to protect its weapons, and that it abandoned championing the deprived, was highly damaging to its credibility.³⁸ In addition, the popular outburst against the Amal Movement, particularly in the south, raised concerns among Hezbollah's leadership that its Shiite partner might suffer significant damage.³⁹ Fram-

³⁴ Crisis Group interviews, U.S. officials, Washington, February 2019. A senior Israeli official argued that U.S. sanctions had had unprecedented success in undermining the organisation. Crisis Group interview, January 2019. See also Ben Hubbard, "Iran's allies feel the pain of American sanctions", *The New York Times*, 28 March 2019.

³⁵ "Nasrallah: we are at an existential crossroads that threatens the country and we have the duty to preserve it by fighting corruption", *Al-Manar*, 9 March 2019 (Arabic). English transcript available at *Al-Ahed News*.

³⁶ The Iranian leadership clearly held this perception as well. "Khamenei signals Iran opposition to uprisings in Lebanon, Iraq", Bloomberg, 30 October 2019; and Talal Mohammad, "Protests In Lebanon: a view from Iran", LobeLog, 20 November 2019. See also "Iraq and Lebanon's protesters may achieve what Trump's 'maximum pressure' could not", *Washington Post*, 4 November 2019; and "What's Next for Lebanon? Examining the Implications of Current Protests", testimonies by Hanin Ghaddar (Washington Institute for Near East Policy) and Jeffrey Feltman (Brookings Institution) before the U.S. House Committee on Foreign Affairs, Subcommittee on the Middle East, North Africa and International Terrorism, Washington, 19 November 2019. Feltman's call to replace "cronyism, corruption and coddling of Hezbollah" with "reform, accountability, transparency and reliance on national institutions instead of Hezbollah" triggered strong reactions in Hezbollah-aligned media, due to his tenure as U.S. ambassador to Lebanon from 2004-2008, a period of intense polarisation during which the U.S., in Hezbollah's view, took its political opponents' side as well as Israel's in the 2006 war. Crisis Group observations, Beirut, November 2019. See also "Pompeo says Iraqis and Lebanese have the right to get rid of Iran's 'meddling'", Radio Farda, 6 November 2019. On a state visit to Lebanon in March 2019, U.S. Secretary of State Mike Pompeo had already come out with strong statements against Hezbollah. "Pompeo denounces Hezbollah in Lebanon, with an Israeli audience in mind", *The New York Times*, 22 March 2019.

³⁷ The senior Hezbollah official said, "We are not deluding ourselves. The issues behind these protests are real, and much of the movement came from our community. The majority of the people you saw during those first days were probably Shiites". Crisis Group interview, Beirut, 7 November 2019.

³⁸ According to a public statement by MP Jamil El-Sayed, a nominal Hezbollah ally, "This country is run under an unspoken formula: 'We let you be corrupt; you let us have our weapons'". *Al-Arabi*, 18 September 2019 (Arabic). The Hezbollah supporter/researcher said, "They [Hezbollah] themselves prepared the ground for this uprising. They kept talking about fighting corruption but then wouldn't deliver. They talked about taking to the streets, and it never happened. People were primed for this". Crisis Group interview, Beirut, 10 December 2019.

³⁹ Hezbollah and Amal fought an intra-Shiite war in 1988-1990 and continued to compete over influence during the first post-war phase in the 1990s. In recent years, they have mostly acted in lockstep, with Amal leader Berri, as parliament speaker, acting as an intermediary for governments

ing the uprising as a ploy to hobble the “resistance”, and to undermine Lebanese Shiites more broadly, appears to have succeeded in bringing the vast majority of Shiites back into the party’s fold.⁴⁰

that do not interact directly with Hizbollah. In Lebanese political discourse, the two parties are commonly referred to as “*al-thuna’i al-shi’i*” (the “Shiite dyad”). The Hizbollah supporter/researcher said, “The resentment against Amal’s corruption is huge. Many in the Shiite community thought that here was finally the chance to get rid of Amal. But Hizbollah cannot afford to lose this partner”. Crisis Group interview, Beirut, 10 December 2019. On 18 October, protesters burned down the beach-front Rest House resort in the southern city of Tyre, believing that it was owned by Berri’s wife; both the office of the speaker and the hotel management denied any such relation. “Rest House Tyre completely destroyed, burned down”, Beirut.com, 19 October 2019.

⁴⁰ Rabieh Barakat, “Hizbollah and the bogeyman of civil society”, Awan, 27 November 2019 (Arabic); “New Lebanon Poll: Despite Protests, Most Shiites Still Back Hezbollah, While Sunnis and Christians Turn More Negative”, The Washington Institute for Near East Policy (WINEP)/Fikra Forum, 4 December 2019; and Bassel F. Salloukh, “The Sectarian Image Reversed: The Role of Geopolitics in Hezbollah’s Domestic Politics”, POMEPS Studies, no. 38, March 2020.

III. Power Vacuum and Economic Collapse

On 29 October, Prime Minister Hariri announced that he had reached a dead end and tendered his resignation, arguing that Lebanon needed a “shock” to be saved.⁴¹ Reportedly, Hariri’s move was largely motivated by his failure to gain support, in particular from Hizbollah, for a cabinet reshuffle that could have given him a freer hand to govern.⁴² In the protesters’ eyes, the months of wrangling over a new government’s composition that followed while the Lebanese economy went into a tail-spin proved the political elite’s indifference to ordinary citizens’ plight.⁴³

A. Government Formation: Into a Hall of Mirrors

For nearly three months after Hariri’s resignation, political parties continued to bargain over a new government’s composition. Since the council of ministers is the locus of executive power, holding cabinet seats reflects a political actor’s relative weight within the power balance and provides a means of retaining and reproducing it. Ministries that control revenue streams are particular plums, because parties can use them as patronage vehicles, in particular to allocate public-sector jobs.

For more than six weeks, efforts to form a new cabinet appeared focused on preserving the compromise formula forged in 2016: a cabinet led by either Hariri or a person endorsed by him and supported by the Shiite parties Amal and Hizbollah and the Christian FPM. Yet negotiations ultimately failed due to what the pro-Hizbollah camp claims were Hariri’s attempts, encouraged by his foreign allies, to change the power balance by appointing a technocratic government under his leadership, thus reversing some of the institutional successes Hizbollah and its allies had achieved over the previous decade, in particular the 2018 election results.⁴⁴ Instead, they insisted on a combination of technocrats and politicians that would guarantee Hizbollah representation at the cabinet table and hence voting rights in decision-making.⁴⁵

The Hariri camp, for its part, placed most of the blame on the third partner in the ruling alliance, the FPM, and in particular on party leader and former Foreign Minister Jibril Bassil.⁴⁶ Relations between the party leaders deteriorated during the crisis, with Hariri calling Bassil “sectarian” and “racist” and refusing to work with him.⁴⁷ The former foreign minister retorted that Hariri’s policy choices had not only stalled

⁴¹ “What’s next for Lebanon after PM’s resignation?”, *Al-Monitor*, 30 October 2019.

⁴² “Exclusive: how Lebanon’s Hariri defied Hezbollah”, *Reuters*, 30 October 2019.

⁴³ “Lebanon’s political class still can’t grasp the country’s new reality”, *TRT World*, 15 November 2019.

⁴⁴ Crisis Group interview, academic researcher specialised in Hizbollah, Hazmiya, 5 November 2019. See also “Hezbollah rejects US position on Lebanese government formation”, *Press TV*, 26 November 2019; and “Lebanon: cabinet talks in stalemate as Hezbollah rejects being forced into concessions”, *Asharq Al-Awsat*, 10 November 2019. A senior Hizbollah official indicated at the time that the party might not oppose a technocratic government composed of “trusted people”, implying that the problem was less with the principle than with the loyalties of the candidates they expected Hariri to nominate. Crisis Group interview, Beirut, 7 November 2020.

⁴⁵ “Hezbollah insists on political presence in govt”, *The Daily Star*, 15 November 2019.

⁴⁶ A Future Movement official called the FPM leader’s demands for government participation “totally unreasonable”. Crisis Group interview, Beirut, 26 November 2019.

⁴⁷ “Hariri says won’t work with ‘racist, sectarian’ Bassil”, *The Daily Star*, 24 December 2019.

the negotiations, but also caused the economic crisis.⁴⁸ Hezbollah and Amal, in turn, felt compelled to hold on to Bassil, considering attacks on him and President Aoun to be directed at themselves.⁴⁹

Repeated attempts to overcome the dilemma by identifying a candidate Hariri could support from outside the government failed. By contrast, forming a government supported by only the 8 March parties that excluded Hariri and the Future Movement came with the risk of antagonising Lebanese Sunnis (between one quarter and one third of the population), for whom the position of prime minister is traditionally reserved and whose religious leadership had explicitly thrown its weight behind Hariri.⁵⁰ It also made it appear likely that some of Lebanon's traditional foreign supporters would see the new leadership as a "Hezbollah government" and shun it, calling into question their inclination to bail Beirut out during an economic crisis. Throughout November and December, Hezbollah, Amal and FPM representatives asserted that forming a "government of one colour", in local parlance, was their least favourite option.⁵¹

After more than six weeks of back-and-forth, on 19 December, Hezbollah and its allies took this step after all, appointing the little-known university professor Hassan Diab as prime minister with the support of only 69 parliament members, a thin majority. Protesters took to the streets to reject the appointment, though in smaller numbers than before.⁵² Anger was evident especially in predominantly Sunni areas, where people read the nomination of a candidate without Hariri's blessing as a Hezbollah manoeuvre to usurp the most important position reserved for Sunnis in the Lebanese power-sharing system. Protests and road blocking in Sunni areas, in particular on the coastal highway connecting Beirut to the Shiite heartland in the south, suggested that sectarian tensions, particularly between Sunnis and Shiites, could escalate.⁵³

Hezbollah, Amal and FPM representatives tried to heal the rift, promising that Diab would form an inclusive cabinet, and saying they hoped that the Future Movement and other currents would join the new government.⁵⁴ Yet no such show of support was forthcoming, and even with only interests within one of the two political camps to accommodate, it still took Diab more than a month (albeit interrupted by

⁴⁸ Bassil said, "There is nothing personal to this. The problem is that Hariri wants to hang on to the fiscal and economic model that has brought us into this mess, while I want to change it". Crisis Group interview, Beirut, 19 December 2019.

⁴⁹ Crisis Group interview, senior Amal official, Rome, 7 December 2019. The senior Hezbollah official said, "It is true that Bassil antagonises. But all these attacks against him are not innocent. The U.S. insists that he can't be in government, because he is our ally". Crisis Group interview, Beirut, 7 November 2019. He added later: "When U.S. sanctions against us did not have the desired effect, they started going after our allies. First, they tried to attack Amal, which did not really work, then they turned to Bassil". Crisis Group interview, Beirut, 28 November 2019.

⁵⁰ "Lebanon's Dar al-Fatwa backs Hariri to form new cabinet, Khatib withdraws", *Asharq Al-Awsat*, 8 December 2019.

⁵¹ Crisis Group interviews, Beirut, November-December 2019. See also Hassan Nasrallah, televised address, 13 December 2019 (Arabic); English transcript available from *Al-Ahed News*.

⁵² "Lebanon is prepared to give Hassan Diab a chance. It has little choice", *The National*, 26 December 2019.

⁵³ "Scuffles continue in Lebanon between Hariri supporters and security forces", *The Levant*, 21 December 2019.

⁵⁴ Crisis Group interview, Jibril Bassil, Beirut, 19 December 2019.

celebrations for Christmas and the New Year) to present a cabinet line-up on 21 January 2020. On 11 February, more than three months after Hariri's resignation, the new government received a vote of confidence in parliament.

B. *In the Midst of a Meltdown*

Given Lebanon's recent experience with long periods of political stalemate, power vacuums and drawn-out government formations, three months may appear to be a reasonable time frame for the transition from one government to the next. Unlike before, however, Lebanon this time faced the immediate prospect of an exploding fiscal and economic crisis that was threatening, and continues to threaten, the livelihood of swathes of the population. The mid-March shutdown of the already struggling economy in response to the COVID-19 crisis could well turn disaster into catastrophe for many people. Severe pressure on broad strata of society, including people who consider themselves middle-class, may create new tensions that could turn violent. In that scenario, it is unclear how long the security apparatus would be able to keep control.

Lebanese leaders had acknowledged before the protests that the fiscal and economic system was in dire straits.⁵⁵ At the root of the problem lies an unsustainable model whereby Lebanon imports far more than it exports, while the Lebanese state spends way more than it receives in revenue.⁵⁶ Funding the resulting chronic current account and state budget deficits while keeping a fixed exchange rate has required a constant inflow of funds. This money arrives in the form of remittances from the Lebanese diaspora, external assistance, foreign direct investment and bank deposits, to a large extent also from Lebanese living abroad.⁵⁷

Starting in 2016, the Central Bank (the Banque du Liban) engaged in a string of complex debt swapping operations it termed "financial engineering".⁵⁸ These schemes amounted to extracting dollar liquidity from Lebanese commercial banks – some 65 per cent of bank deposits were denominated in U.S. dollars at the time – by offering exceptionally attractive interest rates and discounts for exchanging dollars for Lebanese lira.⁵⁹ As a result of these operations, Lebanese banks deposited most of

⁵⁵ "Lebanon declares 'state of economic emergency'", *Middle East Eye*, 3 September 2019.

⁵⁶ "Trade balance of Lebanon 2007 to 2017", Statista, 21 October 2019; and "Lebanon government budget", Trading Economics, 2019.

⁵⁷ "A short history of the Lebanese lira: is it time to divorce the dollar?", *Al-Akhbar*, 18 August 2018.

⁵⁸ "Banque Du Liban's Financial Engineering: Background, Objectives and Impact", Banque du Liban, undated.

⁵⁹ "Dollarization Rate: Private Sector Deposits", Blominvest Bank, January 2020. The rate of dollar deposits stood at 77.5 per cent in February 2020. The immediate motivation appears to have been to prepare the Lebanese banking sector for new international standards, such as the International Financial Reporting Standard IFSR 9 and the liquidity requirements of the Basel III accord. Under these rules, several Lebanese banks would have had to report losses, likely amounting to several billion dollars, which they had suffered in operations outside Lebanon, as well as large non-performing loans, potentially threatening their survival. A Lebanese economist called the operation, which reportedly provided at least \$5-6 billion in extra liquidity to the banking sector during the first year, "a textbook bailout". Crisis Group messaging app interview, 28 March 2020. See also Toufic Gaspard, "Financial Crisis in Lebanon", *Maison du Futur*, August 2017. Gaspard's claims caused enough of a stir to prompt the Central Bank to publish a formal rebuttal. "Report by Banque

their liquid dollar assets with the Central Bank, which now owes these banks in excess of \$100 billion, almost five times the size of its remaining foreign reserves (\$22 billion). Lebanese economists argue that since the Central Bank is a public body, this negative balance should be added to the nearly \$90 billion in official public debt, equal to more than 170 per cent of GDP, the third highest ratio worldwide after Japan and Greece.⁶⁰

The Central Bank, in turn, spent most of the hard currency thus collected to defend the fixed exchange rate and fund imports. As the ratings for Lebanese sovereign debt continued to descend into junk territory and the government's access to international financial markets deteriorated, the Central Bank increasingly had to compensate for the perennial budget deficit as well.⁶¹

Lebanese economists have long argued that these fiscal and monetary practices had a debilitating impact on the economy.⁶² They blame the constantly rising cost of debt servicing, as well as graft and the politically motivated bloating of the public sector, for the state's inability to invest in dilapidated infrastructure and underperforming public services that hamstringing economic activity. They also see the Central Bank's strategy to attract depositors by offering high interest rates as a major reason behind the private sector's sluggish growth, as available capital has gravitated toward the higher and ostensibly safer returns of bank deposits rather than to investments in productive ventures other than the highly speculative real estate sector.⁶³ Failing services and stagnating growth while the financial sector's profits skyrocketed further increased inequality and unemployment, preparing the ground for the popular explosion of 17 October.⁶⁴

As some observers had pointed out well before the current crisis, a system that relied on exceptionally high interest rates to guarantee a constant inflow of fresh mon-

du Liban in reply to mistakes stated in a recently published document", Banque du Liban, undated. Subsequent developments appear to largely confirm his analysis. In a televised address (Arabic) on 29 April 2020, Central Bank Governor Riyad Salameh defended his strategy, claiming that he had aimed to buy the political leadership time and fiscal space to implement reforms that would improve growth and unlock external support.

⁶⁰ "Country list government debt to GDP", Trading Economics, as of December 2018. Even Lebanese politicians struggle to obtain precise information about the Central Bank's financial situation. In April, the government hired three international companies specialised in forensic accounting (KPMG, Kroll and Oliver Wyman) to perform an audit of Banque du Liban. "Three firms hired to audit Central Bank", *Business News*, 24 April 2020. Factoring in the bank's negative balance would push the public debt well beyond 200 per cent of GDP, even by conservative estimates. Crisis Group interview, former bank CEO, Beirut, 15 January 2020; and Crisis Group messaging app interview, Lebanese economist and former minister, 27 December 2019. See also "Public debt stands at \$138 billion", *Al-Akhbar*, 16 April 2018. Lebanon's GDP may have contracted by 20 per cent in 2019, which would push up the debt-to-GDP ratio to at least 250 and perhaps even beyond 300 per cent. "Lebanon's GDP declines to \$44 billion from \$55 billion", *The Daily Star*, 11 March 2020.

⁶¹ "Lebanese default risk prompts Moody's downgrade deeper into junk", Bloomberg, 22 January 2019; "Lebanese government says committed to reforms after rating downgrade", Reuters, 24 August 2019; and "Lebanon may soon issue one of the juiciest Eurobonds in history", Bloomberg, 9 September 2019.

⁶² "Lebanon banks suck in dollars to maintain peg, but economy stagnates", Reuters, 16 August 2018.

⁶³ "Lebanon's rogue banks called to account", *Arab News*, 28 December 2019.

⁶⁴ Nisreen Salti, "No Country for Poor Men: How Lebanon's Debt Has Exacerbated Inequality", Carnegie Middle East Center, 21 September 2019.

ey to pay off previous investors, while not generating enough revenue to pay for the constantly increasing cost of the interest, suspiciously resembled a state-backed Ponzi scheme that was bound to collapse sooner or later.⁶⁵ During 2019, warnings of an impending liquidity crunch in the banking sector grew steadily, and by October, foreign media reported an increasing dollar shortage.⁶⁶ During the second half of October, banks along with public institutions and many private enterprises remained shuttered, as road closures often prevented employees from reaching work. Yet in the case of the banks, the closure further undermined confidence, as did persistent warnings about an impending financial meltdown from government ministers and opposition activists alike. Fear spread that, once they reopened, a run on the banks would ensue that could precipitate a complete financial collapse.⁶⁷

When banks finally reopened for business in early November, withdrawals from dollar accounts, which amount to more than 70 per cent of deposits, were initially restricted to \$1,000 a week at most banks and for most accounts, following an informal advisory by the Association of Banks in Lebanon. Money transfers outside the country were restricted to “urgent personal matters”, such as supporting children studying abroad and paying for life-saving medical care.⁶⁸ Banks have continued to

⁶⁵ “Abracada... broke: Lebanon’s banking on magic”, *Synaps*, 2 May 2017; Nasser Saidi, “Time Is Running Out”, Carnegie Middle East Center, 8 December 2019; and “Lebanon’s financial house of cards: how Lebanon’s politicians and banks constructed a regulated Ponzi scheme that ran the country’s economy into the ground”, *Triangle*, 11 November 2019.

⁶⁶ “Lebanon’s ailing economy: will the music stop in 2019?”, *Middle East Economic Survey*, 21 December 2018; “Lebanon’s banking sector shows ‘similarities’ to Greece before crisis”, S&P Global, 21 March 2019; and “Broke in Beirut: A long-feared currency crisis has begun to bite in Lebanon”, *The Economist*, 5 October 2019.

⁶⁷ “Lebanon’s shuttered banks bracing for dollar run”, *Asia Times*, 27 October 2019. A former banker and long-time critic of the government’s monetary policies said, “There are only between 40 and 60 billion real dollars in the system, most of them in the Central Bank, and there are about 180 billion dollars in ‘assets’ that are really no more than computer entries. Now that no more real dollars are coming in, those 180 billion virtual dollars are all chasing after the 40+ billion real ones”. Dan Azzi, public presentation, 17 December 2019.

⁶⁸ The general outlines of these measures, initially coordinated by the Association of Banks in Lebanon, had no legal basis, and each bank set limits individually and discretionally. “Lebanon’s banks set limits they won’t call capital controls”, Bloomberg, 17 November 2019. Banks often afforded higher limits to customers with high turnovers in their current accounts. By late February, when limits were as low as \$100-200 a week at most banks and for most clients, some holders of time deposits in the higher six digits were still able to withdraw a significant part of their interest earnings in cash dollars or transfer their money abroad. Crisis Group telephone communications, deposit holder and manager at a major Lebanese bank, December 2019 and February 2020. There are persistent rumours that well-connected depositors transferred large amounts abroad during the period of the bank closures. “Cash-strapped Lebanon to probe ‘suspicious’ capital flight”, AFP, 26 December 2019. In April, Prime Minister Diyab claimed that \$5.7 billion had left the Lebanese banking system in January and February alone. “Council of ministers decides to keep general mobilization until May 10, PM says government making great effort to curb financial deterioration”, National News Agency, 24 April 2020. In the absence of official capital controls, such transfers may have been technically legal, and the prospect that the Lebanese state will manage to repatriate these funds is uncertain. Crisis Group interviews, financial journalist, Beirut, December 2019; and remote via messaging app, 7 April 2020.

tighten these limits since, and by early April many had stopped dispensing cash dollars altogether.⁶⁹

Customers were allowed much higher withdrawals if they accepted to receive the counter value of their dollars in Lebanese lira at the official exchange rate of 1,507 lira to the dollar, but many were deterred by the widening gap between the official rate and the lira's real value. As access to dollars declined, the dollar's lira price started to rise, reflecting the mismatch between supply and demand. By early April, the exchange rate in the black market, the only source of real, cash dollars, was approaching 3,000 lira.⁷⁰ Withdrawing dollars in lira at the official rate therefore implied an effective loss of 45 per cent of their nominal value. The Central Bank responded to pressure on the currency by gradually allowing banks to pay out holders of dollar deposits limited amounts at a higher lira rate, initially 2,600, then 3,000 to the dollar.⁷¹ As many of those who took advantage of the improved rates promptly sought to buy cash dollars with the lira they withdrew to protect themselves from further devaluation, the currency weakened even further, hitting 4,300 lira to the dollar on 27 April.⁷²

These restrictions, the general lack of liquidity they created and the devaluation that followed have wreaked havoc on the daily lives of most Lebanese, and on much of the economy as well. Until November 2019, the lira was used interchangeably with the dollar at the official rate, and the majority of transactions not involving the public sector were conducted and denoted in dollars. Since banks no longer pay out dollars, most Lebanese who have to meet dollar obligations (for example, to pay rent and school fees or to cover expenses outside Lebanon) have no choice but to buy the hard currency from money changers at the black-market rate, often for lira they had taken out of their dollar deposits at the official rate.⁷³ The April rate adjustments initially reduced the losses that depositors incurred this way, yet the low ceiling for

⁶⁹ "Dollar squeeze worsens in Lebanon as government asks for aid", Bloomberg, 6 April 2020.

⁷⁰ Between late January and late April 2020, the Central Bank attempted three times to stop the lira's slide by instructing exchange houses to trade significantly below the black-market rate and forcing compliance through police raids, fines and threats of licence withdrawal. On all occasions, the effect was that trade was disrupted or driven underground. The crackdown in late April was more severe and persistent than the previous ones and involved the arrest of traders. "Lebanon tries to control crashing local currency through arrests", *The National*, 11 May 2020.

⁷¹ "Exceptional measures concerning cash withdrawals from small accounts" and "Exceptional measures concerning cash withdrawals from foreign currency bank accounts", Banque du Liban, 3 and 21 April 2020 (Arabic). While the 3 April circular was explicitly restricted to accounts with a balance of less than \$3,000, the 21 April circular sets no ceiling for withdrawals, leaving the banks to set their own limits. These appear to vary between a counter-value of \$500 to \$2,000 for accounts up to \$10,000, and increase for larger accounts, with upper limits between \$4,000 and \$5,000. Tweet by Omar Tamo, foreign exchange specialist, @OmarTamo19, 1:25pm, 14 May 2020: Crisis Group Twitter communication, Tamo, 28 May 2020.

⁷² "Lebanese lira to continue to plunge", Al Arabiya, 30 April 2020. Information about exchange rates and general trends is available at LebaneseLira.org. Data for this volunteer-operated site is sourced from the moderated Telegram group Money-Corruption Revolution in which some 3,000 subscribers exchange first-hand information about the market.

⁷³ The expected global economic contraction as a result of the COVID-19 pandemic will likely also affect remittances from the diaspora, the only sizeable source of hard currency on which the country can still rely. In 2019, remittances accounted for 12.5 per cent of Lebanon's GDP. "The money's not coming home: \$690 billion remittance risk", Bloomberg, 7 April 2020.

withdrawals at many banks limited the effect to small expenses, while the gap between the newly introduced rates and the black-market price of cash dollars quickly widened again. Those who accept payment in lira instead of dollars often apply the black-market rate or one between it and the official rate.

The banking sector's lack of dollar liquidity has also drastically reduced importers' access to letters of credit, prompting many to resort to direct transfers and insist to be paid in cash dollars by the retailers they supply, forcing the latter to convert the lira they receive from customers into dollars at the black-market rate.⁷⁴

As a result, by April the currency devaluation had pushed up lira prices by more than 50 per cent across the board.⁷⁵ This increase reflects the rising black-market rate at which importers have to obtain the dollars they need to import new merchandise.⁷⁶ Lira salaries, on the other hand, have remained the same, meaning that those who receive them have lost nearly half their purchasing power.⁷⁷ Moreover, the dramatic reduction in purchasing power resulting from the de facto devaluation, in addition to the disappearance of consumer credit, has depressed demand and slowed economic activity to a halt in many sectors. The CEO of a major vehicle importer said:

I shipped most cars I had here to the Emirates. The banks no longer provide car loans, so nobody is buying anyway. The whole sector sold around 40,000 units in 2018. This year, we are at 22,000, and for 2020 the projection is 4,000.⁷⁸

⁷⁴ Crisis Group interviews, owners and managers of retail outlets, Beirut, February 2020. In November 2019, a Lebanese opposition politician said, "My cousin has a business importing European kitchens, and he now has a container worth 35,000 euros stuck in the port because he cannot pay for it. He cannot get a letter of credit from the bank. Nor can he use the money in his account, so he is scrambling to find cash dollars". Crisis Group interview, Beirut, 18 November 2019. See also "A Lebanese farmer's tale: Amid coronavirus, struggles to import supplies, prices rise", *Al Arabiya*, 16 April 2020.

⁷⁵ "Minister of the Economy Raoul Nehme ahead of government session: 'The price increase for consumer goods has reached 55 per cent'". Tweet by LBCI Lebanon News, @LCBI_NEWS, 4:18am, 28 April 2020. Many businesses' previous practice to quote prices in dollars has mostly disappeared, as it would be technically illegal to reject payment in lira or to apply a conversion rate other than the official 1,507 lira to the dollar. Some of the businesses still quoting dollar prices resorted to increasing these prices by 40-50 per cent and giving equivalent discounts to customers who pay in cash dollars. Crisis Group field observations, Beirut, early March 2020.

⁷⁶ Local reporting and surveys indicate that the inflationary effect is not restricted to imported goods but affects local products and basic staples as well. "Price increases reach 40 per cent since September", *Al-Akhbar*, 10 March 2020 (Arabic); "Annual Price Increase of Basic Commodities March 2019-2020", Consultation and Research Institute, 24 April 2020.

⁷⁷ Until the rate adjustments in April, most employees who were paid in dollars, as is the case with some private-sector jobs, were not significantly better off. Their employers were unable to pay in cash, while dollars received in bank transfers were subject to similar restrictions as deposits. As a result, they could only make withdrawals in lira at the official rate, insofar as banks reduced the monthly ceiling for the withdrawal of cash dollars to negligible amounts. With the new exchange rates, dollar earners are for now partly shielded against the effects of inflation, albeit at the expense of lira earners, as the injection of additional lira into circulation weakened the currency even further.

⁷⁸ Crisis Group interview, Beirut, 18 December 2019. A small-scale importer of Turkish-made motorcycles said, "There is no business at all, even with heavy discounts. I need to sell the bigger scooters for \$1,300, so with the devaluation I would have to raise the price from two to three million lira, but even at 2.5 million lira there are no buyers, because people's salaries are still the same."

Plummeting demand, which has led to an average contraction of turnover of around 70 per cent for more than 90 per cent of all business owners, has prompted a massive wave of lay-offs. By late January, one third of businesses had laid off employees, at an average rate of 60 per cent, while another 12 per cent had laid off *all* employees, ie, closed down, at least temporarily.⁷⁹ Based on these figures, 220,000 employees may have lost their jobs already then. A business spokesperson predicted that the number would reach 300,000 by the end of the first quarter of 2020, equivalent to roughly one fifth of the active labour force.⁸⁰

With the lockdown imposed in response to the COVID-19 pandemic, many businesses, in particular in the hospitality sector, are now closed and have furloughed their staff, often without pay, and with uncertain prospects of reopening once restrictions are lifted, making it appear likely that the number will surge even higher.⁸¹ The economic downturn has also led to a dramatic decrease in state revenue, already down by around 40 per cent in the last quarter of 2019, a trend that the lockdown is also certain to amplify, auguring an even larger budget deficit in 2020.⁸² In the absence of external support, the state will have to resort to the printing press to pay salaries, further fuelling inflation and currency depreciation, and reducing the real value of lira salaries.⁸³

C. *A Slide to the Bottom*

The fiscal crisis that the COVID-19 pandemic magnified pushed the Lebanese economy into a downward spiral toward recession, soaring inflation, mass unemployment, shortages of imported goods and state insolvency.⁸⁴ While the social impact of the crisis is still emerging, it will doubtless be severe. Already in November 2019, the World Bank warned that the poverty rate may rise to 50 per cent and that the poor and the middle class may be hurt especially.⁸⁵ By January 2020, a social affairs min-

The little scooters, those that the delivery boys use, should cost 800,000 lira (\$320) with the new exchange rate, but I am now selling them for 500,000 lira (\$200). I will even accept 300,000 lira up front and the rest in 50,000 lira (\$20) instalments as they earn money working on the bike, but still nobody is buying". Crisis Group interview, Beirut, 11 March 2019.

⁷⁹ "Impact of Crisis: Effect on Jobs and Salaries", Info Pro Research, February 2020.

⁸⁰ "Job insecurity and unemployment on the rise", *The Executive*, 6 March 2020; and "Labour Force and Household Living Conditions Survey, 2018–2019: Lebanon", Central Administration of Statistics and International Labour Organization, January 2020.

⁸¹ "Lebanon vows recovery plan for 'broken' economy by year-end", Bloomberg, 27 March 2020.

⁸² "Lebanon budget deficit 'much bigger' than expected, says minister", Al Jazeera, 11 December 2019.

⁸³ Already between April and October 2019, the number of lira bills in physical circulation (known as the "M0 money supply") rose by 50 per cent, from 4 to 6 trillion; from October 2019 to March 2020 it surged beyond 13 trillion. "Lebanon money supply M0", Trading Economics, Mai 2020.

⁸⁴ Economists describe such a sequence of events as the "sudden stop" of an economy, wherein significant slowdowns in capital inflows trigger a chain reaction of currency devaluation, reduced credit and liquidity, and contracting economic output. Crisis Group telephone interview, Nasser Saidi, former minister of economy and trade and Central Bank vice governor, 18 November 2019. A standard example of a "sudden stop" is the 1994 fiscal and economic crisis in Mexico. See Guillermo A. Calvo, "Capital Flows and Capital-Market Crises: The Simple Economics of Sudden Stops", *Journal of Applied Economics*, vol. 1, no. 1 (1998), pp. 35–54.

⁸⁵ "World Bank: Lebanon is in the Midst of Economic, Financial and Social Hardship, Situation Could Get Worse", The World Bank, 9 November 2019.

istry spokesperson said the rate may even reach 70 per cent and reported that many public-school students in peripheral areas such as the Beqaa valley were showing signs of malnutrition.⁸⁶ Knock-on effects may include the closure of many private schools, which serve more than half of Lebanese students, by the academic year's end, as parents who lose their jobs or are on reduced salaries amid the inflation will no longer be able to afford fees, forcing students into the overloaded public school system.⁸⁷ In early December, several suicides apparently triggered by economic hardship highlighted the pressure that many people face.⁸⁸

Such desperation could turn into violence as the crisis deepens. In mid-November, a representative of an opposition party warned:

In the past few weeks, the people you saw in the streets were protesting because they want a better country. Soon, they will come out because they can't feed their children. This will look very different from what we have seen before.⁸⁹

In late January, a spate of violence that left 600 injured started with protests at the Central Bank's perimeter; on occasion, protesters have also vandalised the street fronts of bank branches and ATMs.⁹⁰ Renewed unrest in late April left one protester dead in the northern city of Tripoli.⁹¹ The danger that such events could spin out of control is difficult to assess, as is security forces' capacity to control the situation. Since the beginning of the protests in October, soldiers and policemen have served under challenging circumstances. Like others, they have seen the value of their already modest salaries depreciate and their savings frozen. How they will hold up if

⁸⁶ "More people living in poverty in Lebanon, says World Bank", *Arab News*, 9 February 2020. See also Hassan Diab, "Lebanese prime minister: The coronavirus is pushing Lebanon toward a major food crisis", *Washington Post*, 20 May 2020.

⁸⁷ "The education of 600,000 students is in danger: will the private schools close down?", Lebanon 24, 12 December 2019 (Arabic). Until 2017, around 30 per cent of students (Lebanese and non-Lebanese) attended free public schools, and nearly 15 per cent free (government-subsidised) private schools, while more than half were enrolled in private schools that charged often hefty tuition fees. "Schools in Lebanon: Figures and Indicators", Centre for Educational Studies, 10 July 2018 (Arabic). Enrolment in public schools already went up significantly in the 2019-2020 academic year, as more and more parents found themselves unable to pay private school fees. "Lebanon: thousands of students enrol in public schools over dire economic situation", *Asharq Al-Awsat*, 14 September 2019. Many Lebanese families will also no longer be able to pay for imported domestic help, a key prerequisite for many married women to be economically active. Anecdotal evidence suggests that many domestic workers were already planning to leave as employers are unable to pay in dollars or compensate for the currency devaluation by raising lira salaries. In any case, for now, most are stuck as a result of the travel restrictions imposed to fight COVID-19. In late 2019, the Philippines embassy in Lebanon started offering its citizens repatriation free of charge. "Lebanon's Filipino community prepares for a difficult Christmas", *The National*, 18 December 2019.

⁸⁸ "Suicide epidemic sweeps Lebanon amid economic downturn", *The New Arab*, 5 December 2019.

⁸⁹ Crisis Group interview, Beirut, 18 November 2019. A former bank CEO said at a public discussion, "It's going to be a *Mad Max* movie: people running around with guns to get gasoline or food". Dan Azzi, public presentation, Facebook, 17 December 2019 (Arabic).

⁹⁰ "Lebanese protesters turn their ire on banks", *An-Nahar*, 28 December 2019.

⁹¹ "HRW condemns Lebanese army's brutal Tripoli demonstration crackdown, which left protester dead", *The New Arab*, 29 April 2020.

new protests erupt and turn violent is difficult to predict.⁹² A Lebanese security official said:

Economic pressure will generate more movement in the street, and with enough pressure, the whole country could collapse. It won't lead to a plan or a solution, but to social chaos and war. We are very concerned. ... If this gets too big, it won't be possible for the military to control it. This is still a civic thing, peaceful and civilised. But suppose that tomorrow someone comes out with arms? Up to what point can we confront that?⁹³

⁹² A Western diplomat in Beirut said, "Some of our interlocutors are telling us they are preparing to organise security locally. We may be going back to the militia days". Crisis Group interview, 12 December 2019.

⁹³ Crisis Group interview, Beirut, 27 November 2019. By contrast, a Lebanese sociologist active in the protest movement said, "It's plausible to expect an increase in petty crime, or violence against the marginalised, for instance vigilantes attacking refugees. But real, militant violence will always need a political decision. The political elite uses that against us, but they are very capable of controlling it, and at this point I do not see them fighting one another with arms". Crisis Group telephone interview, 12 March 2020.

IV. Pulling Lebanon out of the Pit

The current Lebanese government, and any government that may follow it, will have to carry out substantial structural and institutional reform to put the country's fiscal and economic system back on a sound footing. To succeed, such structural change will have to put an end to the political model in which corrupt and self-serving cliques appropriate and redistribute state resources and public goods. Reform inevitably would strike at their vital interests and at the method by which they maintain and reproduce their political power. Whether the political actors running this system, who have been thriving on it for decades, are capable of initiating and overseeing such a transition, thereby pulling out the rug from under their own feet, is highly questionable. It is very hard to imagine that they will do so unless the Lebanese who have gone into the streets since October 2019 find ways to exert sustained pressure on the country's political institutions.

A. *Conditions for Rescue*

On 7 March, Prime Minister Hassan Diab announced that Lebanon was suspending its foreign debt servicing, in particular the repayment of Eurobonds worth \$1.2 billion maturing two days later, to preserve what remains of the dwindling foreign reserves for essential imports.⁹⁴ On 23 March, the finance ministry announced that it would suspend payments on all outstanding Eurobonds in foreign currency, a total of \$31 billion. On 30 April, the government approved a 53-page reform plan laying out a roadmap for pulling the country out of the crisis.⁹⁵

According to the plan, the government intends to negotiate with its creditors to reduce the debt load and aims to curb expenditure while gradually increasing state revenue to tackle the budget deficit. The goal is to reach a 1.6 per cent surplus by 2024.⁹⁶ The plan also mentions reducing and eventually abolishing subsidies for electricity and fuel, and downsizing the public payroll – quick relief measures that most local and foreign observers and economists have also proposed.⁹⁷ The plan does

⁹⁴ "Lebanon set for debt default as PM suspends March bond payment", *Asharq al-Awsat*, 7 March 2020.

⁹⁵ "The Lebanese Government's Financial Recovery Plan", 30 April 2020. The relevant ministries drew up the plan in cooperation with the U.S. investment bank Lazard, which the government hired as financial advisers in late February. "Lebanon approves Lazard as financial adviser: government source", *Al Arabiya*, 25 February 2020; and "Lebanon wants debt halved, seeks billions in first peek at plans", *Bloomberg*, 8 April 2020.

⁹⁶ According to a pre-crisis International Monetary Fund (IMF) assessment, consolidating public finances under then-prevailing conditions would have required maintaining a primary budget surplus of 4 to 5 per cent for several years. "Lebanon: 2019 Article IV Consultation Staff Report", IMF, 17 October 2019.

⁹⁷ "Fixing Lebanon's ruinous electricity crisis", *Reuters*, 29 March 2019. The state company Électricité du Liban provides 21 hours of power in central Beirut, but significantly less in smaller towns and outlying areas. Privately operated generator networks cover the gap; in peripheral areas where blackouts can last for ten hours per day, the cost of a monthly subscription that fully substitutes for the state grid's capacity can reach several hundred dollars. Some estimate that 20 per cent or more of public payroll employees have been hired through clientelist arrangements and do not perform any actual work. "Lebanon wants to cap or cut salaries of top earners including MPs", *The National*,

not refer to privatisation of state assets (such as the electricity and telecommunications sectors), which could provide additional revenue but would likely require prior creation of complex regulatory frameworks.⁹⁸

Reducing the balance of trade deficit, the second main drain on reserves, will require a drastic reduction in the volume of imports.⁹⁹ The government plan bases its calculations on a devaluation of the lira to 3,500 to the dollar, followed by a gradual decline toward 4,300 until 2024. Such a devaluation will make imported goods far more expensive in the local market, implying that most Lebanese will have to adapt to far lower living standards. The weaker currency should also make exports cheaper and thus more competitive, yet the failing infrastructure and difficulty of importing raw material needed to produce items for export due to the dollar scarcity may stand in the way of benefiting from this advantage, at least initially.¹⁰⁰ The government plan calls for dedicated credit lines to address this issue, along with a bundle of growth-enhancing measures, such as subsidised loans to boost productive industries.

The real challenge, however, lies in the revival of the country's financial system, without which the economy cannot be restarted. Nearly 70 per cent of Lebanese banks' assets are sovereign and Central Bank debt instruments, such as bonds and certificates of deposit. With the state defaulting and the Central Bank insolvent, many Lebanese economists believe that once the balance sheets are adjusted to reflect these "assets'" real value, the entire sector's capital will be wiped out. With the economy in free fall, most banks will likely also suffer a significant increase in the number of non-performing loans, forcing them to initiate foreclosure on the collateral, overwhelmingly real estate.¹⁰¹ Whether this real estate can be sold at prices that are anywhere near their original appraisal is unclear; chances are that significant amounts will have to be written off that way as well.¹⁰²

To revive the sector, the government plans to impose a "bail-in" on bank shareholders. In effect, this measure would amount to an expropriation by marking down the shares' value and requesting reinjection of dividends paid out since 2016, the year when Banque du Liban's "financial engineering" kicked off. It likewise would claw back excessive interest payments and money transferred abroad illegally.¹⁰³

10 May 2019. Losses through tax evasion were estimated at \$5 billion in 2018, while the ratio of tax revenue to GDP fell from 17 to 14 per cent between 2010 and 2016. "Why Does Lebanon Need CEDRE? How Fiscal Mismanagement and Low Taxation on Wealth Necessitate International Assistance", LCPS, October 2018.

⁹⁸ Lebanises International Financial Executives (LIFE), "It is Time to Save Lebanon", Middle East Institute, 25 October 2019; and "Lebanon's Economic Crisis: A Ten-Point Action Plan for Avoiding a Lost Decade", Carnegie Middle East Center, 6 January 2020. For a discussion of the government plan, see Amer Bisat, "The Government Economic Plan: A Complicated Maze of Policy Trade-offs", LCPS, May 2020.

⁹⁹ "Lebanon must kickstart its economy", *The Executive*, 6 March 2020.

¹⁰⁰ "Lebanon faces rewards, obstacles with export strategy", *The Arab Weekly*, 23 February 2020.

¹⁰¹ "Banks concerned about non-performing loans, fear for their capital", *Al-Jumhuriya*, 6 April 2020 (Arabic).

¹⁰² Crisis Group messaging app interview, Lebanese economist, 14 March 2020. The government plan adopted on 30 April calculates the banking sector's total losses at 186 trillion lira (\$120 billion at the current official exchange rate), compared to a capital base of 31 trillion lira (\$20 billion).

¹⁰³ For an overview of the development of bank dividends, see "How did the banks get their profits and who paid for it?", Finance for Lebanon, 5 February 2020. On 1 May 2020, the Association of

While the plan vows to protect depositors as much as possible, it remains difficult to see how the losses could be managed without wiping out a significant part of the deposits or freezing them for a long period of time.¹⁰⁴ Some economists also believe that not all banks will, or indeed should, survive the current crisis, and that a restructuring of the banking sector will be not only necessary but beneficial.¹⁰⁵

B. *External Help*

As previewed in the 30 April government reform plan, Lebanon initiated remote talks with the International Monetary Fund (IMF) for support on 13 May.¹⁰⁶ Economists and foreign diplomats appear to concur with the plan's assessment that the IMF as a mandated "lender of last resort" will be the only source from which the government can gain access to fresh funds, and the only international actor with enough financial heft to address the problem. Many also explicitly support the expectation, also expressed in the plan, whereby other external actors who could pitch in, including those who pledged support for the 2018 CEDRE package, would take their cue from the IMF.¹⁰⁷

What remains unclear is the extent to which the Hizbollah-led political camp, which underpins the current government, would accept the conditions that may come with an IMF financial assistance package. Party representatives in late February and early March suggested that they harboured strong reservations about a substantial

Banks in Lebanon expressed strong objections to the plan, accusing the government of scapegoating the banking sector for previous administrations' failed policies. "Association of Banks in Lebanon: statement on the release of the government's financial recovery plan", Finance for Lebanon, 1 May 2020. On 20 May, the association published its own plan, placing much of the onus for the fiscal crisis on past governments and arguing that the government should use state assets to plug the Central Bank's losses. Business community representatives said the plan did not lay out a convincing vision for developing the local economy. See interview with industrialist Paul Abi Nasr, Lebanese Policy Podcast, 18 May 2020.

¹⁰⁴ Crisis Group messaging app interview, Lebanese economist, 2 May 2020. The government plan suggests that depositors may convert their assets voluntarily into the restructured banks' shares, into equity in a "recovery fund" into which would be deposited unlawfully obtained wealth reclaimed by the state, or into long-term bank obligations with no interest.

¹⁰⁵ "A Brewing Storm: An In-Depth Analysis of Lebanon's Economy", Carnegie Middle East Center, 23 December 2019. A Lebanese economist said, "For the size of its economy, Lebanon does not need 65 banks; it needs perhaps five or six. The whole banking sector needs to be restructured, root and stem". Crisis Group interview, 14 March 2020.

¹⁰⁶ "Lebanon launches IMF talks to rescue economy; more talks in coming days", Reuters, 13 May 2020.

¹⁰⁷ Cooperation with the IMF may also facilitate managing the public debt. A U.S.-based trader of Lebanese Eurobonds said, "Bond owners are more likely to be cooperative if restructuring the debt comes as part of a coherent, credible plan to fix the fiscal and economic situation. That means an IMF stamp of approval". Crisis Group messaging app interview, December 2019. The government reform plan is based on expected foreign assistance of around \$10 billion, to be split between the IMF and other external funders, in addition to CEDRE funds (see fn 116). By comparison, Lebanese economists assess that a comprehensive reform program would require between \$25 and \$30 billion, half of which would have to come from external sources. "Roundtable on the prospect of an IMF intervention in Lebanon", LCPS and *Jadaliyya*, 22 April 2020 (Arabic).

role for the IMF in addressing the crisis.¹⁰⁸ On 13 March, however, Nasrallah moderated this rhetoric, indicating that the party's position would depend on the terms attached to potential assistance.¹⁰⁹

At least on the surface, Hizbollah's reluctance to agree to a request from the IMF rests on assumptions about the institution's approach, which they fear would be counterproductive. A senior Hizbollah official specialised in economic issues said:

The political and financial elite will happily apply the austerity measures that the IMF will demand, like currency devaluation, increase of value-added tax and electricity prices, and so make the poor pay for the crisis. What we really need is a shift toward a developmental state that protects and promotes sectors in which Lebanon can be competitive. Without developing our productive sectors, after five to ten years we'll be in the same place where we are now, with even more debt. This crisis could be an opportunity to move toward a different economic model, and an IMF package will not get us there.¹¹⁰

Hizbollah opponents, by contrast, allege that the party is concerned about the scrutiny that typically comes with IMF programs, which could expose and unravel its parallel economy, in particular by enforcing customs controls.¹¹¹ Representatives of France, which has taken the lead in mobilising support for Lebanon within the EU, have also voiced concern that the U.S. could use its leverage over IMF decisions to impose conditions related to its "maximum pressure" campaign against Hizbollah's

¹⁰⁸ In late February, Hizbollah's deputy secretary general, Naim Qassem, rejected the notion of "submitting to the International Monetary Fund", which he called an "imperialist tool", while accepting technical consultations. "Hezbollah says it opposes IMF management of Lebanon crisis", *Arab News*, 25 February 2020. See also "Hezbollah's Suicidal Red Line", Carnegie Middle East Center, 4 March 2020. Hizbollah may have sufficient political clout to block cooperation with the IMF, but such a move would be politically costly: while the party can apparently still generate enough funds to sustain its own payroll, shielding its wider constituency, including followers of the Amal Movement, is clearly beyond its means. Crisis Group messaging app interview, Lebanese political analyst, 7 April 2020. Insisting on principled rejection may also compromise the two Shiite parties' relationship with their most important partner, the Christian FPM. In December, FPM leader Bassil said, "We need an international framework. Maybe not the IMF itself, but a framework similar to an IMF approach". Crisis Group interview, Beirut, 19 December 2019.

¹⁰⁹ "Hezbollah: not against aid, even from IMF, but depends on terms", Reuters, 13 March 2020.

¹¹⁰ Crisis Group interview, senior Hizbollah official, Beirut, 19 February 2020. In September 2019, the party's think-tank published a detailed proposal to address the public debt; further publications by its director have emphasised the potential for an "internal" solution to the crisis. "Solutions to the crisis of the public debt", Consultative Centre for Studies, September 2019 (Arabic). See also "An internal solution is possible", *Al-Akhbar*, 3 February 2020 (Arabic).

¹¹¹ An opposition politician said, "Hizbollah operates a number of illegal crossings on the Syrian-Lebanese border, from both sides. If you have a business in Lebanon, instead of receiving your merchandise through the port of Beirut, you can have it delivered to [the Syrian port of] Tartous, and Hizbollah will bring it right to your doorstep in Lebanon. In return, you pay them one third of what the customs fees in Lebanon would have been. They get cash and you get a better profit margin than your competitor". Crisis Group interview, Beirut, 12 March 2020. See also "Hezbollah Has a New Strategy to Survive Lebanon's Financial Crisis", WINEP, 2 March 2020; and "Why is Hezbollah afraid of the IMF?", *L'Orient Le Jour*, 26 February 2020.

external sponsor, Iran.¹¹² Language used by Nasrallah in his 13 March 2020 speech, intimating that any foreign support cannot impinge on Lebanon's sovereignty, appears to allude to similar concerns.¹¹³ By contrast, multiple diplomatic sources in Beirut say there is consensus among Western donors and supporters that the decisive criterion should be whether the Lebanese government embarks on substantial reform.¹¹⁴

Lebanese governments have a history of committing to institutional reforms to solicit support from international donors and then failing to deliver. A European businessman and economist who served as an academic expert for his country for the Paris I (2001) and II (2002) donor conferences said:

The purpose of Paris I was to convert the post-war order, which was really a federation of former warlords and some businessmen, into an actual state with proper institutions. From Paris II onward, we told our government that Paris I had not been fulfilled, but our advice went unheeded. We were made to understand that [Lebanon's] stability was more important. And this pattern never really changed: we are still trying to implement Paris I today, twenty years later.¹¹⁵

In early April 2018, just a month before the last parliamentary elections, yet another Lebanon conference convened in Paris, called CEDRE.¹¹⁶ This time, international donors and investors conditioned their engagement on reform, with a clear message that no money would flow before verified implementation.¹¹⁷ Yet once again, nine months of government formation, with the attendant vacuum and partisan bickering, slowed progress to a crawl, with no uptick even after a new government took office.¹¹⁸

¹¹² During a meeting of finance officials from the Group of Twenty (G20), French Finance Minister Bruno Le Maire said, "We know that there are ties between the two issues but we don't want to mix the issue of economic recovery in Lebanon, which is today the clear emergency, and the question of Iran". "Exclusive: if Lebanon needs financial aid, France will be there, finmin says", Reuters, 23 February 2020.

¹¹³ Hassan Nasrallah, televised speech; English transcript available at *Al-Ahed News*.

¹¹⁴ Crisis Group interviews, November 2019-March 2020. A Western diplomat said, "Everybody is on board with giving this government a chance to work. But if they fail because Hizbollah prevents them from doing what is necessary, the pressure toward more sanctions will become intense". Crisis Group interview, Beirut, 2 March 2020.

¹¹⁵ Crisis Group interview, Beirut, 10 December 2019. At Paris I and II, donors pledged a total of €4.7 billion of aid. At the Stockholm and Paris III conferences held in August 2006 and January 2007, donors pledged €8.7 billion to address the damage of the 2006 war between Hizbollah and Israel. Government of France, "International conference on Lebanon's reconstruction: The international community's economic aid for Lebanon", Reliefweb, 24 January 2007.

¹¹⁶ "CEDRE (Conférence économique pour le développement, par les réformes et avec les entreprises) Joint Statement", Government of France, 6 April 2018. See also "Du sucre pour le Liban diabétique", *Synaps*, 6 April 2019. Western diplomats in Beirut concurred that a main conference driver was to boost Hariri's position in the forthcoming elections. A civil society activist who participated in the conference said, "The capital investment plan proposed by the government was a laundry list of projects with no coherent strategy behind it. I really take issue with the Europeans: you have a government that clearly has not done its homework, has no strategy, a state that has already lost access to international financial markets, and you still promise more money?" Crisis Group interview, Beirut, 6 March 2020.

¹¹⁷ Crisis Group interview, European government official, European capital, 14 January 2020.

¹¹⁸ Crisis Group interviews, European diplomats involved in the CEDRE follow-up, Beirut, 19 November 2019 and 14 February 2020.

To establish the accountability and governance standards that foreign donors and lending institutions demand, any new government will have to get serious about tackling corruption and clientelism, which have blocked institutional reform and regulatory efforts and rendered major infrastructural undertakings prohibitively expensive or otherwise impossible. Witness the dysfunctional electricity sector, which has drained public finances for decades. Moving away from the previous economic model of attracting funds from abroad for domestic consumption and toward a productive economy that can compete in export markets, earn hard currency and create jobs will require fixing the dilapidated infrastructure but also uprooting the deeply entrenched cronyism that skews competition in many sectors.¹¹⁹

Opposition representatives argue that these are not aberrations that can be corrected but features of the traditional parties' political model, which renders them incapable of leading such a transition. An opposition politician and former minister said:

The role of these parties is to appropriate state resources and redistribute them to their constituents. There are no more resources to distribute now, only losses and pain, so this model is finished. Now we need actors who can rise above the fray, tell people the truth and inspire confidence that the painful measures that have to be taken are for the greater good of everybody. The status quo parties are functionally incapable of performing this role.¹²⁰

That is clearly not the view of the parties in power, which bargained hard to secure slots within the current government that they would then fill with "independents" of their own choice, and which remain adamant that they have the parliamentary and popular mandate to lead the transition.¹²¹ Another opposition politician said:

If the old parties were smart, they would do exactly what we tell them to do: take a step back, let others fix the mess, then have elections after maybe two years and come back. Instead, they are clinging to a system that is in slow-motion implosion. I could be cynical and say this is good for us, as the opposition, because a complete collapse may be the only way in which they will be forced to give up some of their power in the end. But the longer it takes, the bigger the damage will be.¹²²

¹¹⁹ Ishac Diwan and Jamal Ibrahim Haidar, "Do Political Connections Reduce Job Creation? Evidence from Lebanon", *Economic Research Forum*, October 2016.

¹²⁰ Crisis Group interview, Beirut, 13 December 2019. On corruption and clientelism, see Melanie Cammett and Sukriti Issar, "Bricks and Mortar Clientelism: Sectarianism and the Logics of Welfare Allocation in Lebanon", *World Politics*, vol. 62, no. 3 (July 2010), pp. 381-421; Nisreen Salti and Jad Chaaban, "The Political Economy of Attracting Public Funds: The Case of Lebanon", *Economic Research Forum*, 2010; and Bassel F. Salloukh, "Taif and the Lebanese State: The Political Economy of a Very Sectarian Public Sector", *Nationalism and Ethnic Politics*, vol. 25, no. 1 (2019), pp. 43-60.

¹²¹ Crisis Group interviews, senior representatives of Amal, FPM and Hizbollah, Beirut, December 2019-February 2020.

¹²² Crisis Group interview, Beirut, 19 December 2019.

C. *Systemic Change*

Lebanon's post-war political and economic order may be unsalvageable. Local and international actors seem to agree on the diagnosis, and even on the main outlines of the appropriate treatment: a fiscal rescue package followed by structural reforms that entail a relentless fight against all forms of corruption; building credible institutions; and creating an economic model that harnesses the country's undisputed assets – cultural versatility, creative energy and pursuit of education and entrepreneurship – into a productive economy that keeps the country's youth gainfully employed rather than encouraging them to emigrate.¹²³ Yet Lebanon's main political actors sharply disagree over who should lead the transition and remain divided by deep distrust of each other's intentions. Perhaps most importantly, they all have big stakes in the current system.

The protest movement, for its part, appears split into different currents. Some express hostility toward politics per se, or reluctance to enter a playing field they feel is clearly tilted against them.¹²⁴ Others are ready to enter formal politics; among them, a number even plan for the next elections. A member of an activist group that played a central role organising the protests said:

We fielded candidates in the last elections, and one got very close to getting a seat, without any campaign money or publicity, through volunteering and networking over social media. The protests have swelled our support base so much that now we can raise substantial amounts of money through crowd funding. We will get in, and once you are in parliament, you have a platform, the media can no longer ignore you, and you build from there.¹²⁵

An opposition politician belonging to a party that considers itself part of the protest movement likewise took an optimistic view of the prospects for change through formal politics and said:

We need new elections, and we need them fast before the momentum of the protests dissipates. If we have them this year, I expect that around twenty MPs will represent these new forces – between transformed old parties like us and the new initiatives that are forming now. If we can get our act together, we will be the biggest bloc in parliament. We can balance between the two traditional blocs, or even be kingmakers. Or the old parties all align against us, as they usually do when challenged by newcomers, and then we pummel them for all their failures.

¹²³ The opposition politician who in November 2019 reported that his cousin's business of importing European kitchens was struggling due to capital controls (see fn 74) said in March, "He expanded his local manufacturing because the currency depreciation has made imports too expensive for most clients. He is now setting up shop in Ivory Coast to replicate his local production line and market his products in West Africa. He even found clients for his designs in the U.S., because he is working in the European style at a fraction of the European cost. There is a lot you can do here, in particular with the help of our diaspora, if only we can fix our infrastructure and get away from this permanent political instability, and the permanent threat that a major war with Israel could break out any minute". Crisis Group interview, Beirut, 12 March 2020.

¹²⁴ Crisis Group interview, prominent member of political activist group, Beirut, 4 November 2019.

¹²⁵ Crisis Group interview, Beirut, 18 February 2020.

Either way, come the elections after that, you will see the power balance really change. Then a majority for reform forces may be within reach.¹²⁶

Seasoned civil society representatives report a change in the breadth and intensity of citizens' involvement in the public sphere. A veteran activist and former candidate for parliament said in November:

I have participated in, on average, two town hall meetings every day for the past month, often in parts of the country where this kind of thing never happened before. The hunger for information and the drive to participate is overwhelming. I have done this kind of activity for the past twenty years, but this is on an entirely different scale.¹²⁷

Yet it would be wrong to assume that a new, emerging political elite can easily or seamlessly replace the current one. As the currency devaluation continues to wipe out public-sector salaries, state institutions may falter. Security forces in particular may be tempted to moonlight for whoever pays – political parties, wealthy individuals and/or communities seeking to organise their security locally. The fiscal and economic crisis may reduce the flow of resources that sustain clientelism to a trickle and destroy people's livelihoods; rather than undermining the legitimacy of the political actors responsible for the crisis, such resource scarcity may allow those who control what little is left to consolidate their sway over core constituencies. A Lebanese political scientist said:

The bitter irony could be that by plundering the state to the point where it falls apart, the political parties responsible for the mess may be able to recreate their power. When the state collapses, they will be the only ones with the money and organisational structures to control their areas, and they will be the only gateway to whatever is left of public resources.¹²⁸

Yet such a gradual disintegration of public institutions also threatens to create extended instability punctuated by violent outbursts. Underpaid and overstretched security forces may gradually blend with local security providers who offer them extra pay and are likely to compete with one another for control over resources and local taxation. Traditional political leaders may resort to sectarian fear-mongering as a substitute for the services they can no longer provide. As poverty spreads into ever larger parts of society, new protests could break out that the security forces may no longer be able to control with non-violent means.¹²⁹

¹²⁶ Crisis Group interview, Beirut, 12 March 2020.

¹²⁷ Crisis Group interview, Beirut, 21 November 2019.

¹²⁸ Crisis Group telephone interview, 15 January 2020.

¹²⁹ Despite the COVID-19 lockdown, and partly in response to the economic hardships it imposed, protests picked up again at the end of April. "Coronavirus the least of our worries": Lebanese defy lockdown for second wave of protests", *The New Arab*, 29 April 2020. Some activists are predicting rising levels of violence, as protesters despair of non-violent means and traditional parties attempt to reassert their grip. See twitter thread by Nadim Elkak, researcher, @NadimElkak, 26 April 2020. Between 25 and 27 April, protesters attacked banks in Sidon, Tyre and Tripoli, and demonstrations in the latter turned violent, causing one participant's death. "One dead, dozens injured in Lebanon riots with banks smashed", Al Jazeera, 28 April 2020.

To obtain the fresh funds required to ward off such scenarios, Lebanon needs to urgently push ahead with the negotiations with the IMF, on which support from other sources also depends. That the current Hizbollah-backed government initiated talks on 13 May suggests that the party is ready to revisit its earlier reservations.¹³⁰ It should now try to incorporate its macro-economic priorities into the government's position in negotiations with the IMF and ready itself for compromise. In the absence of such assistance, Lebanon will almost certainly face a severe recession that will hurt Hizbollah's constituents as much as anyone else.¹³¹ Equally important, other Lebanese stakeholders, in particular the government, private banking sector and Central Bank, will need to seek a unified position vis-à-vis the fund.¹³²

In the meantime, and until more substantial international support becomes available, external donors may need to step up humanitarian assistance to help those Lebanese hardest hit by the crisis.¹³³ Moving forward, donors could condition future, more substantial support on steps to bolster accountability, including a level of transparency that allows for public scrutiny, for example by strengthening local accountability bodies' authority and the judiciary's capacity to prosecute graft.¹³⁴ Applying these principles while supporting high-profile projects – such as repairing the ailing electricity sector – that previously were allegedly held up due to politicians' compet-

¹³⁰ "Lebanon launches IMF talks to rescue economy; more talks in coming days", Reuters, op. cit.

¹³¹ The U.S.-based Eurobond trader said, "What the Hizbollah economist describes as his ideal plan is almost exactly what the IMF would seek. He describes them as being polar opposites, but he is just wrong on that. The IMF already understands that export industries will need to be built and coddled at first in order to build an economy that isn't just banking and real estate". Crisis Group messaging app interview, 22 April 2020. For a discussion of Lebanon's options in IMF negotiations, see Amer Bisat, Marcel Cassard and Ishac Diwan, "A Grave Crisis, With No Silver Bullet", Carnegie Middle East Center, 11 May 2020.

¹³² During initial talks conducted in mid-May, delegations of the government and the Central Bank reportedly took adversarial positions. "Split over rescue plan clouds new round of IMF talks", *The Daily Star*, 17 May 2020. See also fn 103.

¹³³ A Western diplomat said, "European donors will not leave Lebanon alone in this. Already most of the support we give for Syrian refugees comes on a 50-50 basis, so half of it goes to Lebanese in need. We will be adjusting our programming as the needs arise, in the form of food aid but probably also cash assistance for the poorest". The EU also expects to allocate new funds to existing trade facilities, as per the International Support Group for Lebanon's December 2019 final statement, mostly to enable small and medium enterprises to continue importing the raw materials they need to keep operating. Crisis Group telephone interview, 18 May 2020. The World Bank plans to establish an emergency social safety net to help mitigate the crisis's impact. Crisis Group email communication, senior World Bank official, 19 May 2020.

¹³⁴ Since the outset of the crisis, political activists and civil society representatives have counselled against external actors bailing out the Lebanese system without reform conditionality. Crisis Group interviews, December 2019-March 2020. One said: "Support from international institutions and foreign governments can only go to institutional actors here, so the political elite will get hold of it and distribute it to their clients. You will end up feeding the monster of clientelism that we need to kill, and you cannot make sure that it reaches the people who actually need it the most". Crisis Group telephone interview, 12 March 2020. Lebanon presently has four external watchdog organisations tasked with overseeing the bureaucracy, the Civil Service Board, the Central Inspection Commission, the Bureau of Accounts and the General Disciplinary Council. "Lebanese Bureaucracy", in Ali Farazmand, *Global Encyclopedia of Public Administration, Public Policy and Governance* (Berlin, 2019).

ing interests, may also make it possible to highlight examples where the rules have changed.¹³⁵

There may also be an opening to form new political parties as well as civil society and advocacy organisations, whose integration in the political sphere could help boost its legitimacy. During the uprising's first weeks, gatherings across the country evinced an urge for active public participation unseen in the post-civil war period, along with equally unprecedented condemnations of political parties, expressions of cross-sectarian solidarity beyond liberal milieus and denunciations of leaders' sectarianism, including by some of their own supposed constituents. For some older parties, several of which are headed by civil war era leaders, such a shift in popular sentiment could accelerate or initiate internal reforms.¹³⁶ In turn, reformed parties and new political forces emerging from this and previous protest movements may eventually translate into a robust parliamentary presence, helping to change the dynamics of Lebanese politics and improve prospects for accountability and wider public participation.

Amid this turmoil, it would be a mistake for foreign actors to use the Lebanese theatre for their own, extraneous purposes, such as trying to squeeze Iran by isolating its Lebanese ally Hizbollah. True, numerous Shiites participated in the earliest protests against a government in which Hizbollah was prominent and criticised the party's performance (though they directed more reproof at Amal). But there is no evidence to substantiate the notion, notably promoted by the U.S. administration, that the protest movements in Iraq and Lebanon amounted to a "rebellion" against Tehran's overbearing influence.¹³⁷ If anything, it has been self-defeating, as it helped the party reassert its clout among Lebanon's Shiites. More broadly, Hizbollah's foreign alignment and its arsenal outside state control appeared to be minor issues for the protesters. While some activists and opposition politicians asserted that reform would fail without tackling these questions, none named them as motivation for protesting or as priorities. By contrast, several explicitly said that opening these debates now would be counterproductive.¹³⁸

¹³⁵ Crisis Group interviews, Western diplomats, Beirut, February and March 2020. One said, "Fixing the electricity sector would save money and create a tangible benefit for citizens and the economy alike. But it is also the sector where all key issues – waste, corruption, clientelism – are blatantly obvious and well known". Crisis Group interview, Beirut, 9 March 2020.

¹³⁶ Nabih Berri of Amal, Michel Aoun of the FPM, Samir Geagea of the Lebanese Forces and Walid Jumblat of the PSP were all leading participants in the civil war.

¹³⁷ "Pompeo says Iraqis and Lebanese have the right to get rid of Iran's 'meddling'", Radio Farda, op. cit. See also Hanin Ghaddar, "The Shia vs. the 'Shia Crescent'", WINEP, 3 March 2020; Dennis Ross and Dana Stroul, "The United States can offer the people of Lebanon and Iraq something Tehran can't", *Foreign Policy*, 24 December 2019.

¹³⁸ Crisis Group interviews, Beirut, November 2019-March 2020. In an opinion poll conducted by the National Democratic Institute (NDI) in the run-up to the 2018 parliamentary elections, fewer than 2 per cent of the respondents considered "weapons outside the control of the state" to be among the most important national issues. "Lebanon Poll Results", NDI, January 2018.

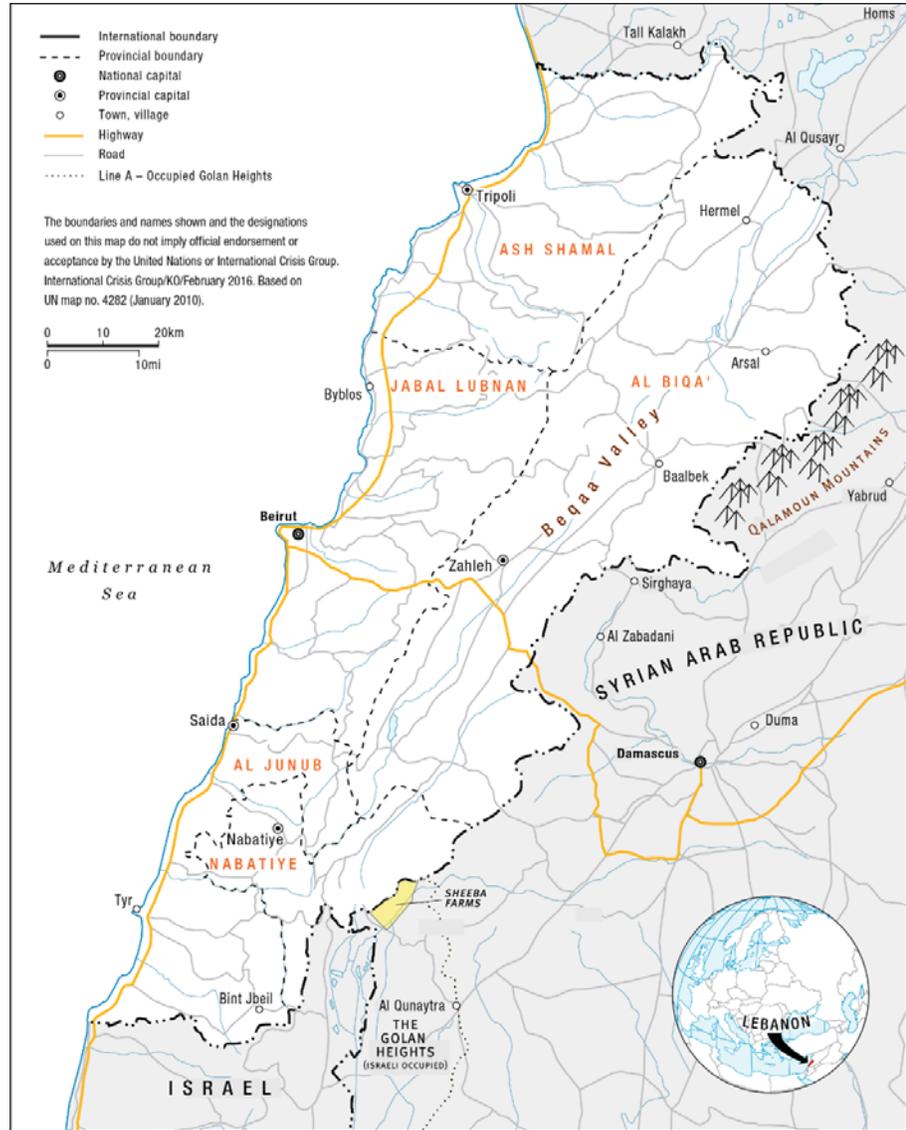
V. Conclusion

Lebanon has entered a dark tunnel that may run deep and take several more turns. In the end, the crisis of the post-civil war political model and a rekindled urge to engage in public affairs could help move discussions away from bickering over shares in clientelist schemes. Of course, there still will be fuel for debate: on whether Lebanon should stick to a free-market economy or adopt aspects of a developmental state, on how and at what pace sectarian representation in politics should be abolished (as stipulated by the 1990 constitution), and on whether the country should take sides (and which side) in regional conflicts.

These are important questions, worth debating. But what ought not to be controversial is the need to reform a system that has ruined public finances and provoked the ire of a substantial part of the population. The opportunity exists for Lebanon to embrace new patterns of political representation and participation that reduce the salience of the rigid sectarian and political divisions of the past three decades, which have repeatedly turned Lebanon into both a source of regional conflict and an arena for it.

Beirut/Brussels, 8 June 2020

Appendix A: Map of Lebanon



Appendix B: About the International Crisis Group

The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 120 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries or regions at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international, regional and national decision-takers. Crisis Group also publishes *CrisisWatch*, a monthly early-warning bulletin, providing a succinct regular update on the state of play in up to 80 situations of conflict or potential conflict around the world.

Crisis Group's reports are distributed widely by email and made available simultaneously on its website, www.crisisgroup.org. Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The Crisis Group Board of Trustees – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policymakers around the world. Crisis Group is co-chaired by President & CEO of the Fiore Group and Founder of the Radcliffe Foundation, Frank Giustra, as well as by former UN Deputy Secretary-General and Administrator of the United Nations Development Programme (UNDP), Lord (Mark) Malloch-Brown.

Crisis Group's President & CEO, Robert Malley, took up the post on 1 January 2018. Malley was formerly Crisis Group's Middle East and North Africa Program Director and most recently was a Special Assistant to former U.S. President Barack Obama as well as Senior Adviser to the President for the Counter-ISIL Campaign, and White House Coordinator for the Middle East, North Africa and the Gulf region. Previously, he served as President Bill Clinton's Special Assistant for Israeli-Palestinian Affairs.

Crisis Group's international headquarters is in Brussels, and the organisation has offices in seven other locations: Bogotá, Dakar, Istanbul, Nairobi, London, New York, and Washington, DC. It has presences in the following locations: Abuja, Addis Ababa, Bahrain, Baku, Bangkok, Beirut, Caracas, Gaza City, Guatemala City, Jerusalem, Johannesburg, Juba, Kabul, Kiev, Manila, Mexico City, Moscow, Seoul, Tbilisi, Toronto, Tripoli, Tunis, and Yangon.

Crisis Group receives financial support from a wide range of governments, foundations, and private sources. Currently Crisis Group holds relationships with the following governmental departments and agencies: Australian Department of Foreign Affairs and Trade, Austrian Development Agency, Danish Ministry of Foreign Affairs, Dutch Ministry of Foreign Affairs, European Union Emergency Trust Fund for Africa, European Union Instrument contributing to Stability and Peace, Finnish Ministry of Foreign Affairs, French Development Agency, French Ministry of Europe and Foreign Affairs, Global Affairs Canada, Iceland Ministry for Foreign Affairs, Irish Department of Foreign Affairs and Trade, the Principality of Liechtenstein Ministry of Foreign Affairs, Luxembourg Ministry of Foreign and European Affairs, Norwegian Ministry of Foreign Affairs, Qatar Ministry of Foreign Affairs, Swedish Ministry of Foreign Affairs, Swiss Federal Department of Foreign Affairs, UK Department for International Development, and the World Bank.

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June 2020

Appendix C: Reports and Briefings on the Middle East and North Africa since 2017

Special Reports and Briefings

Counter-terrorism Pitfalls: What the U.S. Fight against ISIS and al-Qaeda Should Avoid, Special Report N°3, 22 March 2017.

Council of Despair? The Fragmentation of UN Diplomacy, Special Briefing N°1, 30 April 2019.

Seven Opportunities for the UN in 2019-2020, Special Briefing N°2, 12 September 2019.

Seven Priorities for the New EU High Representative, Special Briefing N°3, 12 December 2019.

COVID-19 and Conflict: Seven Trends to Watch, Special Briefing N°4, 24 March 2020 (also available in French and Spanish).

Israel/Palestine

Israel, Hizbollah and Iran: Preventing Another War in Syria, Middle East Report N°182, 8 February 2018 (also available in Arabic).

Averting War in Gaza, Middle East Briefing N°60, 20 July 2018 (also available in Arabic).

Rebuilding the Gaza Ceasefire, Middle East Report N°191, 16 November 2018 (also available in Arabic).

Defusing the Crisis at Jerusalem's Gate of Mercy, Middle East Briefing N°67, 3 April 2019 (also available in Arabic).

Reversing Israel's Deepening Annexation of Occupied East Jerusalem, Middle East Report N°202, 12 June 2019.

The Gaza Strip and COVID-19: Preparing for the Worst, Middle East Briefing N°75, 1 April 2020 (also available in Arabic).

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Hizbollah's Syria Conundrum, Middle East Report N°175, 14 March 2017 (also available in Arabic and Farsi).

Fighting ISIS: The Road to and beyond Raqqa, Middle East Briefing N°53, 28 April 2017 (also available in Arabic).

The PKK's Fateful Choice in Northern Syria, Middle East Report N°176, 4 May 2017 (also available in Arabic).

Oil and Borders: How to Fix Iraq's Kurdish Crisis, Middle East Briefing N°55, 17 October 2017 (also available in Arabic).

Averting Disaster in Syria's Idlib Province, Middle East Briefing N°56, 9 February 2018 (also available in Arabic).

Winning the Post-ISIS Battle for Iraq in Sinjar, Middle East Report N°183, 20 February 2018 (also available in Arabic).

Saudi Arabia: Back to Baghdad, Middle East Report N°186, 22 May 2018 (also available in Arabic).

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How to Cope with Iraq's Summer Brushfire, Middle East Briefing N°61, 31 July 2018.

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Reviving UN Mediation on Iraq's Disputed Internal Boundaries, Middle East Report N°194, 14 December 2018 (also available in Arabic).

Avoiding a Free-for-all in Syria's North East, Middle East Briefing N°66, 21 December 2018 (also available in Arabic).

Lessons from the Syrian State's Return to the South, Middle East Report N°196, 25 February 2019.

The Best of Bad Options for Syria's Idlib, Middle East Report N°197, 14 March 2019 (also available in Arabic).

After Iraqi Kurdistan's Thwarted Independence Bid, Middle East Report N°199, 27 March 2019 (also available in Arabic and Kurdish).

Squaring the Circles in Syria's North East, Middle East Report N°204, 31 July 2019 (also available in Arabic).

Iraq: Evading the Gathering Storm, Middle East Briefing N°70, 29 August 2019 (also available in Arabic).

Averting an ISIS Resurgence in Iraq and Syria, Middle East Report N°207, 11 October 2019 (also available in Arabic).

Women and Children First: Repatriating the Westerners Affiliated with ISIS, Middle East Report N°208, 18 November 2019.

Ways out of Europe's Syria Reconstruction Conundrum, Middle East Report N°209, 25 November 2019 (also available in Arabic and Russian).

Steadying the New Status Quo in Syria's North East, Middle East Briefing N°72, 27 November 2019 (also available in Arabic).

Easing Syrian Refugees' Plight in Lebanon, Middle East Report N°211, 13 February 2020 (also available in Arabic).

Silencing the Guns in Syria's Idlib, Middle East Report N°213, 15 May 2020 (also available in Arabic).

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Blocked Transition: Corruption and Regionalism in Tunisia, Middle East and North Africa Report N°177, 10 May 2017 (only available in French and Arabic).

How the Islamic State Rose, Fell and Could Rise Again in the Maghreb, Middle East and North Africa Report N°178, 24 July 2017 (also available in Arabic and French).

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Restoring Public Confidence in Tunisia's Political System, Middle East and North Africa Briefing N°62, 2 August 2018 (also available in French and Arabic).

After the Showdown in Libya's Oil Crescent, Middle East and North Africa Report N°189, 9 August 2018 (also available in Arabic).

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Of Tanks and Banks: Stopping a Dangerous Escalation in Libya, Middle East and North Africa Report N°201, 20 May 2019.

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Implementing the Iran Nuclear Deal: A Status Report, Middle East Report N°173, 16 January 2017 (also available in Farsi).

Yemen's al-Qaeda: Expanding the Base, Middle East Report N°174, 2 February 2017 (also available in Arabic).

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How Europe Can Save the Iran Nuclear Deal, Middle East Report N°185, 2 May 2018 (also available in Persian and Arabic).

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After Aden: Navigating Yemen's New Political Landscape, Middle East Briefing N°71, 30 August 2019 (also available in Arabic).

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N°212, 27 April 2020 (also available in Arabic).

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