REFORM WITHIN THE SYSTEM: GOVERNANCE IN IRAQ AND LEBANON

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Preface

Many people in Iraq and Lebanon have grown tired of the current system of governance: they see their countries’ power and resources being continually divided between the same elites and their networks. In 2019 this erupted into massive protests calling for an overhaul of the systems of governance of both countries.

However, in both countries the political systems based on identity politics and sectarian or ethnosectarian power-sharing are entrenched. Barring a revolution—which, as the Arab Spring uprisings have shown, does not necessarily lead to positive change—it would take the very elites that benefit from the system to change it. Nonetheless, reforms within the system and gradual change are possible. This paper explores what can be done in the short term to address some of the most pressing issues facing Iraq and Lebanon.

This paper explores how much reform is possible in the short term to address some of the two countries’ most pressing issues within the current systems of governance in both Iraq and Lebanon. The authors’ insightful analysis and recommendations will be of interest to policymakers in both countries, in other countries of the region and elsewhere, as well as to local actors on the ground seeking reform.

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Summary

Iraq and Lebanon witnessed mass protests in 2019. These protests highlighted a widespread perception that many of the governance problems and socio-economic challenges confronting both countries are the product of the prevailing political systems based on sectarian or ethno-sectarian power-sharing. Protesters called on their respective governments and political elites to move away from identity politics and focus more on addressing rampant corruption, fixing the economy and improving the performance of the state in public service provision.

Protesters have demanded an overhaul of the political system to allow for the emergence of a post-sectarian order in which identities are not politically instrumentalized and (ethno)secitarian affiliation does not affect rights and access to services. However, the (ethno)sectarian political power-sharing systems are deeply entrenched in both countries. Transcending them remains a remote prospect. At the same time, the pressing issues that affect the lives of citizens and contribute to the disintegration of the state must be urgently addressed.

The (ethno)sectarian power-sharing systems permeate various sectors and hinder their performance. However, despite the flaws associated with these systems, opportunities to address some of the critical governance problems facing Iraq and Lebanon do exist. In a context where political elites that benefit from the status quo continue to maintain a strong grip on the political process, every opportunity for reform—no matter how small or modest—needs to be grasped. Based on insights from interviews with a number of current and former Iraqi and Lebanese officials and observers, pathways for gradual reform within the system are identified. These include restructuring the public sector and the administration; taking steps to curb corruption; sustaining political mobilization and participation in electoral processes; and gradually moving public discourse away from (ethno)sectarian political identification, but also allowing more space for youth, civil society, and new civic and political movements.

Given the challenges facing Iraq and Lebanon, policymakers in both countries should recognize the urgent need for some degree of reform to prevent instability and unrest. Recommendations show how Iraqi and Lebanese policymakers can improve governance, reduce corruption and fix public service provision. International actors must also provide support in these uphill battles.
Abbreviations

BDL Banque du Liban (Bank of Lebanon)
CSO Civil society organization
EDL Electricité du Liban (Electricity of Lebanon)
FPM Free Patriotic Movement
GDP Gross domestic product
IAF Iraqi Armed Forces
IMF International Money Fund
ISF Internal Security Forces (of Lebanon)
KRI Kurdistan Region of Iraq
LAF Lebanese Armed Forces
PMF Popular Mobilization Forces
1. Introduction

In October 2019 Iraq and Lebanon were each gripped by mass protests that lasted for several months. In both cases, the demands voiced by protesters reflected a deep dissatisfaction with the state's performance in ensuring social justice, addressing endemic corruption and delivering public services. But they also reflected widespread discontent with the very nature of the countries' political systems, which prioritize identity politics and sectarianism over issue-based politics and citizenship rights.\(^1\) It was also evident that the protests in both countries established a direct link between governance systems characterized by sectarian or ethnosectarian power-sharing on the one hand and failing public services and deteriorating infrastructure on the other. Protestors attributed inadequate access to basic services (such as electricity, water and sanitation), the dismal quality of education and healthcare services, and corruption to the political systems. Political actors were seen to take advantage of their positions to divert public resources to serve their own interests and increase their own power and influence.\(^2\) Comprehensive reform of the political system is, however, unlikely in the short-term. Alternative avenues to address some of the protesters’ demands within the system thus need to be explored. This paper explores those avenues.

Since the 2019 protests and against the backdrop of the Covid-19 pandemic, the situation in Lebanon has worsened dramatically. The country has descended into a severe economic crisis, which, together with the Beirut Port explosion in August 2020, has destabilized an already fragile governance system.\(^3\) While Iraq conducted peaceful elections in October 2021, they were marked by voter apathy and low turnout, demonstrating that the population’s level of grievance remains high. The usual political competition then emerged in the government-formation process.\(^4\)

Iraq and Lebanon have both endured conflict and violence, and both have adopted power-sharing as a mechanism to bring all actors together in government to ensure peace and coexistence. Both countries have also experienced periods of ‘no war, no peace’—marked by continuing inter-group tensions, despite a political settlement having been reached, but without actual conflict re-emerging.\(^5\) Lebanon’s power-sharing arrangement dates back to the 1943 National Pact, which was later institutionalized by the 1989 Taif Accords that formally ended the

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\(^2\) Dodge, T. and Mansour, R., Politically Sanctioned Corruption and Barriers to Reform in Iraq (Chatham House: London, June 2021); and Mehraj, K., Breaking the Curse of Corruption in Lebanon (Chatham House: London, June 2021).


The adoption of power-sharing in Iraq is more recent: it was introduced in the aftermath of the 2003 United States-led invasion of Iraq to give different ethno-sectarian groups representation in the political system as well as a share of power and the ability to influence decision-making processes. The implementation of power-sharing in both countries has been guided by the idea that membership of, and loyalty to, an (ethno)sectarian group is a strong determinant of political identity that needs to be politically and legally reconciled with, and integrated into, membership of the state. This has produced political systems in which the very divides that the power-sharing settlement is expected to bridge are themselves used as a governance mechanism.

In the short run, such (ethno)sectarian power-sharing systems can help to give rival groups an incentive to engage in peaceful relations. In the long run, however, they tend to maintain the very tensions that they seek to resolve, and this can hinder the performance and stability of the state. This does not mean that power-sharing systems are incapable of producing functioning states and systems of governance. In the case of Belgium, for example, power-sharing has not prevented the state from performing its role, but even in that case, inter-group tensions have not been resolved and political crises endure. What is particularly problematic in Iraq and Lebanon, however, is that neither country has developed the strong institutions or mechanisms of accountability and oversight that are necessary to allow power-sharing to lead to better state performance and good governance.

The cases of Iraq and Lebanon highlight some of the key problems associated with identity-based power-sharing arrangements in contexts of institutional weakness as they underscore the difficulty of striking a balance between peace on the one hand and governance on the other. They demonstrate the trade-offs between immediate post-conflict stabilization and long-term stability and development. Ultimately, the governance failures afflicting Iraq and Lebanon demand genuine political and constitutional reforms in order to surmount the adverse aspects of the power-sharing systems. Implementing far-reaching reforms and transcending identity-based forms of government could therefore arguably constitute the path towards political stability and good, effective and sustainable governance.

However, despite growing demands to move away from identity politics in both countries, (ethno)sectarian divisions of power and allocation of resources remain entrenched. The emergence of a post-sectarian political order and alternative institutions that transcend identity politics remains remote. This is partly because it would require that the very political actors who benefit from the current systems be willing to implement changes that are likely to threaten their own positions

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and power. Furthermore, a transition away from (ethno)sectarian-based power-sharing is presumably a long process that could take generations.

Meanwhile, Lebanon is on the edge of collapse while Iraq is also facing several crises connected to the performance of the government. The populations of both countries are desperate for change and for access to decent basic services. Consequently, while transcending the (ethno)sectarian political systems would arguably be the solution in the long term, it is imperative to address some of the most pressing issues confronting the two countries in the short term to contain and prevent further instability and violence.

The purpose of this SIPRI Policy Paper is to explore how some of the critical governance problems facing Iraq and Lebanon can be addressed to improve citizens’ access to basic services despite the shortcomings of their political systems. It examines how, in contexts of weak institutions and limited accountability, the dynamics of the identity-based power-sharing systems penetrate various sectors (i.e. the economy, education, healthcare and security) and affect their performance. While the paper acknowledges that changes to the political systems themselves are needed, it takes a more practical approach by examining what can be done within the existing systems to alleviate the impact of the challenges confronting Iraq and Lebanon. It examines the ways in which the political systems affect the performance of the state and its ability to fulfil its core functions and presents policy recommendations to tackle some of the challenges to governance in Iraq and Lebanon from within the system.

As the paper sets out to analyse the impact on governance of power-sharing along identity lines and the dynamics of political sectarianism in Iraq and Lebanon, it is important to note that sectarian identities are not fixed or primordial, but are fluid, malleable and highly contextual. Consequently, neither individuals nor the society in Iraq and Lebanon should be reduced to their ethnic or sectarian dimensions. Moreover, there is a growing trend in both countries to push back against (ethno)sectarian understandings of identity.\(^{10}\)

Methodologically, this policy paper uses elite interviews in order to explore how some of the governance problems facing Iraq and Lebanon can be addressed, despite the challenges related to the nature of the existing governance systems. As a methodological approach, elite interviews focus on individuals who, through their positions and their involvement in certain political processes, have insights into the key issues and the dynamics of those processes.\(^{11}\) Semi-structured interviews were conducted with current and former government and cabinet-level officials, decision-makers, and experts in Iraq and Lebanon to get their insights on what reforms are needed in various sectors. More importantly, they were asked what can be done within the system to find pathways out of the ongoing crises in both countries. The interviews were conducted virtually due to restrictions related to the Covid-19 pandemic. Anonymity was guaranteed to the interviewees.


\(^{11}\) Beamer, G., ‘Elite interviews and state politics research’, *State Politics & Policy Quarterly*, vol. 2, no. 1 (spring 2002).
in order to elicit more frank responses. The paper is also informed by the authors’ personal experiences of living in Iraq and Lebanon.

The paper continues with an overview of the dynamics of political sectarianism in Iraq and Lebanon and how this shapes the political process and the institutional structures in each country (chapter 2). It then discusses the major socio-economic challenges and the enduring problems confronting Iraq and Lebanon (chapter 3): Lebanon’s crisis of public debt and state bankruptcy and Iraq’s struggling and undiversified economy; widespread corruption and limited transparency and accountability; the disintegrating public services and infrastructure; and the fragile security situation in both countries. Next, the paper investigates the governance-related factors and mechanisms that make meaningful reform so difficult to achieve in both countries and the impact that this has on state–society relations (chapter 4). Finally, the paper explores pathways for change and policies likely to contribute to improving governance as well as identifying the agents of change best placed to implement them (chapter 5). This paper offers some conclusions (chapter 6) before providing recommendations on the most feasible and sustainable way forward for both Iraq and Lebanon and how international actors can support them (chapter 7).
2. Understanding the governance systems

Lebanon

The process of government formation in Lebanon reflects the need to preserve a delicate balance of power between the different sectarian groups that make up Lebanese society. The sectarian mode of political organization was originally established in the 1943 unwritten agreement known as the National Pact. The 1989 Taif Accords, which ended the civil war, did not bring any fundamental changes to Lebanon’s sectarian political system. Instead, it entrenched Lebanon’s power-sharing arrangement, merely adjusting the balance between Muslims and Christians.\[12\] The arrangement reserves the position of speaker of the Lebanese Parliament to a Shia Muslim, the position of president of the republic to a Maronite Christian and the position of prime minister to a Sunni Muslim. The 1989 agreement shifted executive power from the president to the prime minister. In addition, the 128 seats in the parliament are divided equally between Christians and Muslims (prior to 1989 the Christian-to-Muslim ratio was 6:5), and further divided among the different denominations. Of the 64 seats reserved for Christians, 34 go to Maronite Christians, 14 to Eastern Orthodox Christians, 8 to Melkite Catholics, 5 to Armenian Orthodox Christians, and 1 seat each to Armenian Catholics, protestants and other Christian minorities. Similarly, Sunni and Shia Muslims receive 27 seats each, Druze receive 8 seats, and Alawis receive 2 seats.\[13\]

A consequence of the sectarian organization of the Lebanese political system is that gerrymandering—aiming to maintain the sectarian balance despite demographic transformation—is common.\[14\] The sectarian design of electoral laws also means that inter-sectarian alliances are frequently made and unmade, often guided less by policy and reform needs and more by the motivation to preserve elite or group interests.\[15\] For example, the alliance of convenience between Hezbollah—a Shiite Muslim political party and militant group—and the Free Patriotic Movement (FPM)—a Maronite political party—that has been maintained since 2006 illustrates their pragmatic attitudes and the mutual benefit that they both derive from the alliance.\[16\] Furthermore, frequent negotiations and bargaining over electoral laws, seat allocation and electoral districting tend to add a dimension of

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predetermination to election outcomes.\textsuperscript{17} This contributes to perceptions among citizens that electoral contestation is not a means to achieve political change.\textsuperscript{18}

The Beirut Port blast on 4 August 2020 precipitated the most recent political crisis. Following the subsequent resignation of Hassan Diab as prime minister, the Lebanese political class failed to form a government for over a year.\textsuperscript{19} President Michel Aoun tasked Saad Hariri—a former prime minister who had resigned in October 2019 following mass anti-government protests, known as the 17 October Revolution—with forming a government. However, the process was delayed due to political wrangling about government composition, disagreements on the distribution of portfolios, and reluctance to assume political responsibility in times of significant turmoil and social and economic strains.\textsuperscript{20} After eight months, Saad Hariri abandoned his attempt to form a government in July 2021. Najib Mikati, a billionaire businessman and another former prime minister, was then designated to form a new government.\textsuperscript{21} After several weeks of consultations, Mikati announced the formation of a new government in September 2021.\textsuperscript{22}

Government crises like this have been a common feature of the Lebanese political system since the 2005 assassination of former prime minister Rafik Hariri. The ensuing demonstrations—known as the Cedar Revolution—led to the withdrawal of Syrian troops from Lebanon.\textsuperscript{23} Hariri’s assassination and the withdrawal created a deep political rift between two political alliances: 14 March and 8 March. The 14 March Alliance, which opposed Syrian presence and interference in Lebanon, comprises Hariri’s Sunni Future Movement and two Maronite parties, Kataeb and Lebanese Forces. The 8 March Alliance comprises Aoun’s Maronite FPM and the Shia parties Hezbollah and the Amal Movement, which believe that Syria played an important role in ending the Lebanese Civil War and helping Lebanon to resist Israel.\textsuperscript{24} This divide between the two alliances shaped the Lebanese political process in the subsequent years as it largely contributed to the hardening of sectarian divisions. Moreover, it brought Lebanon into a cycle of relentless political haggling and bargaining, political crises and deadlocks, the heavy cost of which can be clearly seen in the sluggishness of government action and the weakness of the state.\textsuperscript{25} However, in a country where the memory of the

\textsuperscript{17} El Kak, N., \textit{A Path for Political Change in Lebanon? Lessons and Narratives from the 2018 Elections} (Arab Reform Initiative: Paris, 25 July 2019).

\textsuperscript{18} Garrote Sanchez, D., \textit{Understanding Turnout in the Lebanese Elections} (Lebanese Center for Policy Studies: Beirut, Jan. 2021).

\textsuperscript{19} Young, M., ‘Michel Aoun and Saad Hariri have failed to agree over a new government in Lebanon’, Diwan, Malcolm H. Kerr Carnegie Middle East Center, 23 Mar. 2021.


\textsuperscript{25} Picard and Ramsbotham (note 24); and Norton (note 24).
civil war is still present, the spectre of violence and conflict seems to lurk in every major political crisis.²⁶

The 2006 conflict between Hezbollah and Israel dramatically exacerbated political and sectarian tensions between political forces in Lebanon. Subsequently, ministers representing Hezbollah and Amal withdrew from the government in November 2006 after demands for a veto power in the cabinet were not met.²⁷ This, coupled with a vacancy in the position of president, prompted a protracted political crisis that put Lebanon on the brink of renewed civil strife. A low point was reached when Hezbollah forces took control of western parts of Beirut in May 2008.²⁸ Soon after, Qatar hosted the Lebanese National Dialogue Conference and successfully brokered an agreement that prevented Lebanon from relapsing into conflict. The Doha Agreement stipulated that the parliament would elect the consensus candidate—General Michel Suleiman, commander of the armed forces—as president. The settlement also specified the distribution of cabinet seats, with 16 ministers for the 14 March majority, 11 ministers for the Hezbollah-led opposition and 3 ministers to be nominated by the president.²⁹

Nearly a year after the Doha Agreement, Lebanon’s enduring political instability came to the fore yet again with the establishment by the United Nations of the Special Tribunal for Lebanon in March 2009 to investigate the assassination of Hariri. Tensions between the 14 March and 8 March alliances escalated, amid a whirlwind of allegations of false witnesses, accusations regarding Hezbollah’s supposed involvement in the assassination and fears that any indictment would plunge Lebanon into turmoil.³⁰ Political realignments eventually led to the collapse of Saad Hariri’s government in 2011 and his replacement—after several months of bargaining—by Mikati.³¹

Lebanon’s most recent parliamentary elections were held in 2018, nearly five years after they were constitutionally due.³² In 2013 the parliament had voted for a 17-month extension to its own mandate, with further extensions adopted in November 2014 and June 2017.³³ The presidential vacuum created when President Suleiman’s term expired in 2014 and the political blocs failed to agree on his successor until 2016 further aggravated Lebanon’s political crisis.³⁴ The impact of conflict and instability in Syria on Lebanon’s fragile security situation has

³⁰ Arsan (note 23).
been cited as one of the reasons for the delays and postponements.\footnote{Naylor, H., ‘Lebanese lawmakers delay elections, sparking dismay, anger among voters’, Washington Post, 5 Nov. 2014.} However, domestic dynamics have also played an important part in the political deadlock. In particular, the inability of the sectarian forces to agree on an electoral law has been a major point of contention underlying Lebanon’s political crises in recent years.

Sectarian politicians have sought to enact electoral laws tailored to their sectarian calculations and designed to enable them to maximize their power. Lebanon’s predominantly majoritarian electoral system and the sectarian character of its political organization have meant that the form of government was fundamentally prone to extended crises and gridlocks. It was not until June 2017—after a plethora of proposals and drafts—that a new electoral law was finally adopted that served as a basis for the May 2018 elections, thus ending years of government paralysis.\footnote{Dagher, R., ‘The Adwan electoral law: From bad to worse?’, Moulahazat, 18 June 2017.} The new electoral law replaced the winner-takes-all system of 1960 (as amended in 2008). It provided for proportional representation and brought some reforms that appeared to open up space for political outsiders and candidates from smaller parties and civil society movements to enter the political process.\footnote{Law on Election of the Members of the Parliament (note 13); and Elghossain, A., ‘One step forward for Lebanon’s election’, Sada, Carnegie Endowment for International Peace, 11 June 2017.} However, the law was also designed in such a way as to maintain the status quo and the sectarian elites’ continued control over the political system. It has thus failed to live up to hopes that Lebanese politics would become freer and oriented primarily towards achieving development goals.

**Iraq**

Compared to power-sharing in Lebanon, where identities are predetermined, Iraq’s 2005 constitution was designed to accommodate the various groups and political identities that prove to be most prominent at the time of any electoral contest.\footnote{McCulloch, A., ‘Consociational settlements in deeply divided societies: The liberal–corporate distinction’, Democratization, vol. 21, no. 3 (2014); and McGarry, J. and O’Leary, B., ‘Iraq’s constitution of 2005: Liberal consociation as political prescription’, International Journal of Constitutional Law, vol. 5, no. 4 (Oct. 2007).} In principle, this is meant to be an open and flexible system that takes into account shifts in power and in the relevance of ethno-sectarian identities and that allows space for ‘the emergence of non-ethnic and non-religious parties’.\footnote{Lijphart (note 9) cited in McCulloch (note 38), p. 504.} In practice, however, power-sharing in Iraq has entrenched the dominant positions of the main ethno-sectarian groups—Kurds, Shia Arabs and Sunni Arabs—by allocating the key positions in the state to them. In this regard, little space has been allowed for the emergence of alternative forms of democratic governance and political identification outside the ethno-sectarian framework.

Known as *muhasasa taifia* (ethno-sectarian apportionment), the current political system in Iraq was established following the first national elections and
the adoption of a new constitution in 2005 in the aftermath of the 2003 US-led invasion. At the heart of this political system is an informal bargain among the elite that divided the country along ethnosectarian lines and used this as a basis for allocating public resources and positions in the state. This elite bargain was not based on written rules and formal power-sharing mechanisms between various ethnosectarian groups. Yet the informal power-sharing arrangement has come to determine all aspects of the political process in Iraq, including government formation, the composition and staffing of ministries and state institutions, and the management and distribution of public resources.

The post-election process of government formation begins with the election of the speaker and deputy speakers of Iraq's parliament, the Council of Representatives, approved by an absolute majority of the members. By convention, the post of speaker is held by a Sunni Arab. The Council of Representatives then elects the president by a two-thirds majority. According to the informal power-sharing arrangement, the president comes from the Kurdish community. The president then designates the candidate nominated by the largest bloc in the parliament as prime minister, a post that is typically filled by a Shia Arab, who is not necessarily the leader of the bloc or party that won the most seats in the general election. The prime minister-designate is then charged with forming a government, the Council of Ministers. This process is in turn subject to a series of negotiations concerning the distribution of ministries, their budgets, public appointments and so on, particularly as post-election blocs are formed. The process is fraught with backroom deals, especially as fractures within ethnosectarian blocs have started to emerge, preventing the formation of large parliamentary blocs. The 2018 elections and government-formation process further revealed the depth of intra-group rivalries and rifts, particularly among Shia Arabs, as different camps held diverging visions on how to strengthen the state following the defeat of the Islamic State group.

In 2019 mass protests broke out, which came to be known as the October Revolution. The protestors demanded and obtained the resignation of the government of Prime Minister Adel Abdul Mahdi due to failure to reform and violence against the protestors. The process of government formation that ensued once again underlined the extent to which bargaining and consensus among ethnosectarian political leaders can operate in Iraq. After one prime minister-designate, Mohammed Allawi, failed to form a government, President Barham Salih nominated Adnan al-Zurfi, who also did not succeed in rallying the support of the different ethnosectarian political blocs. In the end, after a lot of back and
forth, Mustafa al-Kadhimi was chosen as another compromise candidate, and he managed to form a government that the parliament approved in May 2020, thus ending nearly six months of political deadlock.45

The Iraqi political system, like that of Lebanon, is structured in a way that leaves little space for non-ethnosectarian political competitors and that undermines their ability to contest political power. Political actors that rely on non-ethnosectarian discourses and agendas to mobilize support are marginalized by the prevailing ethnosectarian parties and elites. For example, in the 2010 Iraqi parliamentary elections, Ayad Allawi’s secularist Iraqiya coalition (Iraqi National List) ran an electoral campaign on a largely nationalist and cross-sectarian platform; it garnered support across large parts of the country and won the most seats in the election.46 The success of Iraqiya presented a challenge to the ethnosectarian order, and so ethnosectarian actors mobilized to contain its growth.47 As Iraqiya was largely supported by Sunni Arabs, the outgoing prime minister, Nouri Maliki, fearmongered about the return of Baathism—the official, secularist ideology of the 1979–2003 regime of President Saddam Hussein—and pressured Shia parties to coalesce around him. This enabled Maliki to retain the position of prime minister for a second term.48 By the 2014 elections, political projects that presented an alternative to ethnosectarianism had been significantly weakened.

The limits of identity-based power sharing in Iraq and Lebanon

In both Iraq and Lebanon, power-sharing arrangements based on (ethno)sectarian identity are used to give the different segments of society representation in the political system as well as a share of power and influence over the political process. However, in both countries political elites largely focus on gaining and maintaining power for their own benefit, which has come at the cost of governance. In both countries the systems that have developed facilitate corruption by allowing the division of resources among elites and protecting them against charges. As chapter 3 shows in practical terms, this hampers the proper functioning of the state and its institutions, and results ultimately in it failing to provide basic services and meet the essential needs of citizens.49 Thus, rather than fostering stability, the power-sharing arrangements have become drivers of instability and unrest as a result of their poor implementation in institutionally weak contexts with inadequate safeguards against corruption and political instrumentalization of (ethno)sectarian identities.

45 Alhassan, N., ‘Changing the rules of the game: Reforming the party system in Iraq’, Middle East Institute, 16 June 2021.
The sectarianization of the political systems in Iraq and Lebanon has played a significant part in the shrinking of public space. It has done this by making political action extremely difficult outside the confines of (ethno)sectarian communities and by rendering any assertion of the entitlements of citizens dependent upon mobilizing (ethno)sectarian identities.\(^\text{50}\) Moreover, the sectarianization of the political system has meant that public policy is largely driven not by an aspiration to achieve public good for all citizens, but rather to respond to the particular interests and demands of communal groups as relayed by (ethno)sectarian leaders. The dynamics of the (ethno)sectarian distribution of power in Iraq and Lebanon have thus taken precedence over effective and fair management of public resources, with negative consequences for the coherence and the continuity of development strategies and programmes. Recently, however, it has become increasingly clear that (ethno)sectarian elites hardly even cater to their own communities, but instead tend to serve their own private interests. The gap between communities and the elites that claim to represent them has considerably widened. Furthermore, intra-group tensions and competition have become far more pronounced. These fractures have revealed the growing difficulty for political actors to use (ethno)sectarian affiliation to mobilize the wider communities beyond their own closest supporters.

In 2019 the mass protests that gripped both Iraq and Lebanon, and which lasted for months before being disrupted by the Covid-19 pandemic, challenged the legitimacy and effectiveness of identity-based power sharing.\(^\text{51}\) In both countries, protests emphasized the widespread discontent and dissatisfaction with the ruling elites and a deep distrust in the state and its institutions. Protesters demanded that the governments step down and called for an end to the systems of (ethno)sectarian division of power, positions and resources. The next chapter takes a closer look at the issues of discontent in both countries, showing how the (ethno)sectarian political systems penetrate and undermine various sectors.

\(^{50}\) Yahya, M., *The Summer of Our Discontent: Sects and Citizens in Lebanon and Iraq* (Carnegie Middle East Center: Beirut, June 2017).

\(^{51}\) O’Driscoll et al. (note 1).
3. Socio-economic challenges and the state of public services

Lebanon’s financial crisis and Iraq’s struggling and undiversified economy constitute major causes of concern for each country's citizens. In both cases, the fragile economic situation has, to a large extent, been the product of political inaction, systemic corruption, and the elites’ abuse of their official positions to advance their private interests and maintain control over their sectarian or ethno-sectarian communities. Moreover, mismanagement and misappropriation of public resources in both Iraq and Lebanon have left public services in a dismal condition and infrastructure crumbling—symptomatic of state weakness and a failure of the governance systems. This chapter provides an overview of the complex socio-economic challenges and the enduring governance issues confronting Iraq and Lebanon, and how they connect to the distinctive (ethno)sectarian power-sharing bargain at the heart of their political systems.

The economy

Despite different political economies, Iraq and Lebanon are both experiencing major economic challenges. In a context of economic crisis, the differences in their political economies put into sharper focus the similarities of their (ethno)sectarian power-sharing designs and underline the impact that this type of political system has on governance and the ability of the state to perform its core functions. In turn, an extremely fragile economic situation has allowed (ethno)sectarian elites to increase their influence by stepping into the space left by the state.

Lebanon: Unprecedented economic collapse

A recent World Bank report argues that the ongoing financial crisis in Lebanon constitutes one of the worst economic crises in the world since the 19th century and that such a dramatic deterioration of the economic situation is usually observed in conditions of war and conflict. According to the World Bank, Lebanon’s economic collapse is largely the result of deliberate inaction on the part of Lebanese politicians, who appear to be unwilling to take adequate measures to respond to the crisis. Many aspects of the current crisis could have been avoided

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52 Mouawad, J. and Baumann, H., ‘In search of the Lebanese state’, Arab Studies Journal, vol. 25, no. 1 (2017); and Dodge and Mansour (note 2).
if the political class had been willing and able to introduce reforms and had the political system been less conducive to corruption.\textsuperscript{56}

The origin of Lebanon’s financial crisis lies in the fiscal deficit accumulated in the post-war years. In addition, a collapse of the exchange rate has resulted in a severe currency crisis, as the Lebanese pound lost nearly 90 per cent of its value: from a fixed rate of 1507 Lebanese pounds to 1 US dollar, by August 2021 the exchange rate had exceeded 20 000 pounds to $1 on the unofficial market.\textsuperscript{57}

With Lebanon heavily reliant on imports and expatriate remittances, the collapse in the exchange rate along with soaring inflation have significantly increased the cost of living: the prices of food, medicine and other basic necessities have soared. In addition to the currency crisis, the Lebanese Government has faced a steep decline in revenue coupled with a sharp rise in public debt over the past few years.\textsuperscript{58} Lebanon’s gross domestic product (GDP) has been falling steadily: in 2020, it contracted by 21 per cent in real terms.\textsuperscript{59} Moreover, Lebanon’s public debt reached a staggering 179 per cent of GDP in 2020, aggravating the country’s effective insolvency.\textsuperscript{60}

With this economic collapse, poverty rates reached unprecedented levels. More than half of the Lebanese population was estimated to be living below the poverty line by July 2021.\textsuperscript{61} Ordinary Lebanese citizens have been disproportionately affected by increased restrictions on cash withdrawals, the expansion of the black market for foreign currency and the use of multiple exchange rates.\textsuperscript{62} The economic crisis has been exacerbated by the twin shocks of the Covid-19 pandemic and the Beirut Port explosion. Restrictions introduced to contain the Covid-19 pandemic, including repeated nationwide lockdowns and the closure of national borders, have resulted in increased unemployment and further loss of income for many households.\textsuperscript{63} The Beirut Port blast, in which hundreds of people were killed and thousands were injured, dealt another blow to Lebanon’s already shattered economy, with the massive damage to public infrastructure, homes and businesses.\textsuperscript{64}

Inequality and the disparities in income and wealth distribution in Lebanon run very deep. Between 2005 and 2016, the wealthiest 10 per cent earned around 50 per cent of national income whereas the poorest 50 per cent earned about 12 per cent of national income.\textsuperscript{65} The pandemic and the financial crisis have worsened

\textsuperscript{56} Saab, B. Y., ‘Lebanon’s inconvenient truths’, Middle East Institute, 29 Jan. 2020.
\textsuperscript{60} World Bank (note 59), pp. 162–63.
\textsuperscript{61} World Bank (note 54); and UNICEF Lebanon, ‘Living on the edge in Lebanon: More than half the population is now below the poverty line’, 1 July 2021.
\textsuperscript{63} World Food Programme (WFP), \textit{Assessing the Impact of the Economic and COVID-19 Crises in Lebanon} (WFP: Beirut, June 2020).
\textsuperscript{64} Consultancy.uk, ‘8 charts on the economic cost of Beirut’s port explosion’, 16 Sep. 2020.
these inequalities. Income inequality has a considerable impact on social mobility, with there being a high probability that individuals will stay in the same socio-economic group throughout their lives and extremely limited opportunities for the middle and working classes to move upwards. Similar patterns of inequality are observed in the distribution of income from labour, pointing to the prevalence and the large size of the informal sector.

As the economic crisis has severely affected the most vulnerable groups of Lebanese society, it has also given the opportunity for sectarian actors to increase their influence by providing relief. Hezbollah, in particular, has sought to portray itself as Lebanon’s ‘saviour’ by offering financial assistance and transporting fuel from Iran into Lebanon via Syria (despite US sanctions on Iran), with seemingly no involvement from the Lebanese state and customs authorities.

Iraq: An undiversified rentier economy

Iraq’s political economy is markedly rentier. The way in which it combines and interplays with the elite bargain at the core of Iraq’s political settlement has contributed immensely to the country’s financial troubles. On the one hand, Iraq’s rentier state model—with its heavy dependence on oil revenues and limited reliance on taxation—has increased the autonomy of the state from society and reduced the accountability of the elites in power. On the other hand, ethnosectarian power-sharing has become tantamount to an apportionment of public resources among the elites and their networks, making abuse of position, inefficient management and resource capture common practice.

Iraq relies heavily on oil revenues: 95 per cent of the government budget comes from oil revenues. This has made it vulnerable to global price fluctuations, such as the sharp declines in oil prices in 2014 and 2020, which deprived the government of a sizable share of its revenue. As a result, the government has struggled to pay the pensions and salaries of the bloated public sector. The volatility of oil prices makes the state budget unreliable, which in turn impedes long-term strategic planning and thus hampers economic growth and development. However, even when oil prices are high, it does not translate into an improved socio-economic situation for Iraqi citizens due to mismanagement, fraudulent contracts and a tendency to divert public resources to serve narrow group interests. Unemployment has soared in the past decade, up from 8 per cent in 2010 to 14 per cent in 2020. The

67 Assouad (note 65).
rate varies across provinces, being much higher in the historically poorer south and also among women and youth.\textsuperscript{74}

Furthermore, with access to oil rents, the elites in power have had little incentive to diversify the economy and develop non-oil sectors.\textsuperscript{75} Control over oil resources is an important driver of instability as it heightens competition between and among different ethno-sectarian groups and underlies tensions over disputed territories and disagreements over federalism.\textsuperscript{76}

Although Iraq’s macroeconomic and fiscal conditions showed signs of improvement during 2017–19, the outbreak of the Covid-19 pandemic and the sharp fall in oil prices in 2020 reversed the positive trends and worsened Iraq’s economic conditions.\textsuperscript{77} The restrictions introduced by the government to prevent the spread of coronavirus have had a severely negative impact on economic activity in various sectors.\textsuperscript{78} Consequently, Iraq’s fiscal deficit increased considerably in 2020 as public debt reached 65 per cent of GDP, while GDP fell by 16 per cent in real terms.\textsuperscript{79} Poverty levels have also worsened, with estimates suggesting a rise in the proportion of the population below the poverty line from 20 per cent in 2017–18 to 31 per cent in 2020.\textsuperscript{80} Due to the challenging economic situation, the government devalued the Iraqi dinar by 20 per cent against the US dollar in December 2020—the biggest devaluation since 2003—adding inflationary pressure such as an increase in food prices and the cost of living to the list of hardships facing the population, with a disproportionate impact on vulnerable communities.\textsuperscript{81} The rebound in oil prices in 2021 may suggest an improved economic prospect, but this hardly meets Iraq’s development needs, and it only further entrenches the rentier state political economy.\textsuperscript{82}

As the economic situations deteriorate in both Iraq and Lebanon, the state in both countries continues to be unable to respond to citizens’ needs in terms of employment opportunities and access to basic services. This has forced the populations to turn to (ethno)sectarian leaders and elites, and to political parties and the civil society organizations (CSOs) and charities associated with them for help.\textsuperscript{83} The precarious economic situations in Iraq and Lebanon thus gives (ethno)sectarian elites the opportunity to further develop their informal social networks and increase their influence by substituting themselves for the state and filling the

\textsuperscript{74} World Food Programme (WFP), \textit{Iraq Socio-economic Atlas 2019} (WFP: Baghdad, 2020).
\textsuperscript{76} Alkadiri, R., ‘Oil and the question of federalism in Iraq’, \textit{International Affairs}, vol. 86, no. 6 (Nov. 2010).
\textsuperscript{78} UN Development Fund in Iraq (note 77).
\textsuperscript{79} World Bank (note 59), pp. 156–57.
\textsuperscript{80} UN Development Fund in Iraq (note 77).
\textsuperscript{81} World Food Programme (WFP), \textit{Iraqi Dinar Devaluation and the Price of the Food Basket} (WFP: Baghdad, 2021).
\textsuperscript{82} World Bank (note 59), pp. 156–57.
vacuum left by its retreat in many areas.\textsuperscript{84} The result is a vicious cycle in which the growing power of sectarian actors undermines the state, which in turn provides even more space and opportunity for them to reinforce themselves and their control over communities.

**Corruption**

The post-conflict reconstruction periods in Iraq and Lebanon have been marked by dramatic expansions of corruption and patronage networks, facilitated to a large extent by the current political systems. Corruption is pervasive in both countries: in 2020 Iraq scored 21 and Lebanon 25 in Transparency International’s Corruption Perceptions Index (where a score of 0 represents ‘highly corrupt’ and a score of 100 represents a ‘very clean’ public sector), and both ranked in the bottom quintile of states.\textsuperscript{85}

**Lebanon**

In Lebanon, a laissez-faire economy and state disengagement prevailed even before the 1975–90 civil war, but the conflict further accentuated these dynamics. Private companies associated with sectarian groups and political factions took up the provision of a number of services previously provided by the state, including operating hospitals, collecting rubbish and building infrastructure.\textsuperscript{86} After the war, the trend for limited state intervention and the central role of the private sector continued to dominate the political economy of reconstruction; this was epitomized by the Horizon 2000 regeneration programme launched by Rafik Hariri in 1993.\textsuperscript{87}

The allocation of contracts to rebuild public infrastructure and provide services in different sectors showed that standards of fairness and transparency in public procurement and tenders were seldom followed. Instead, many private contractors obtained contracts through their connections with political elites in a context where state institutions and bureaucracy were increasingly being displaced by social networks.\textsuperscript{88} The years that followed the Taif Accords thus saw the spread of corruption in political and business elite circles. The pervasiveness of corruption has been, to a large extent, an outcome of a political system in which public institutions not only failed to dissuade and curtail corrupt practices, but actually created the structural conditions for the emergence of opportunities for


\textsuperscript{88} Leenders (note 86).
Socio-economic challenges and the state of public services

Corruption. The large volume of foreign aid and assistance received by Lebanon for reconstruction projects has provided an opportunity for profiteering and has contributed to maintaining the Lebanese political class and structures, with little incentive for introducing political and economic reform.

Similarly, reconstruction assistance for Lebanon after the 2006 conflict between Hezbollah and Israel was marked by the efforts of various regional and international actors to promote their agendas and support their allies among Lebanese factions. Reconstruction processes became a forum for foreign competition, with funds to rebuild the infrastructure channelled through local allies and elites. This further strengthened clientelist and patronage networks. The dynamics of reconstruction after Lebanon’s crises thus display recurring episodes of economic crisis followed by foreign aid packages while the Lebanese ruling elites remain unwilling to take meaningful policy action for reform.

Similar dynamics have been at play in the current crisis. Following the massive destruction caused by the Beirut Port blast in August 2020, international donors pledged aid in a conference hosted by France. Although offers of assistance have been conditioned on reforms, the Lebanese political class has adopted a wait-and-see attitude, hoping that Lebanon will eventually be bailed out without any need to implement reform.

The limitations associated with the power-sharing arrangement in the political process also extend to state bureaucracy and the public sector. In post-Taif Lebanon, the public sector has been sectarianized and divided up to primarily serve the interests of elites preoccupied with their own power, influence and privileges. As state institutions have become the strongholds of sectarian elites, the public sector has been transformed into a tool to reward supporters. For example, the salary and grade scale adopted by the government in 2017 appears to be motivated by sectarian dynamics and calculations and to reflect the collusion of sectarian elites in maintaining the sectarian political economy. In a presumably populist move, Hezbollah and Amal supported the scheme to raise salaries and proposed to finance it mainly through taxes on the banking sector. However, to defend their financial interests, political elites across many sectarian divisions joined forces

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92 Finckenstein (note 90).
95 Salloukh (note 94).
to block the proposal. After five years of negotiations, the salary increase was adopted, despite Lebanon’s already fragile economic situation.96

The instrumentalization of public sector recruitment has engendered an increasingly bloated, sectarianized and non-autonomous public sector that has contributed to supporting clientelist systems rather than implementing policies. Processes of public recruitment and staffing in Lebanon have been marked by a tendency to prioritize sectarian affiliation over competence, merit and actual needs in the public sector.97 The ability of state institutions and bureaucracy to rationally, efficiently and equitably implement policies and provide services has been sacrificed to satisfy sectarian arrangements and narrow interests. In addition, the levels of transparency and accountability in public recruitment processes are limited.98 The sectarianization of the public sector in Lebanon thus entails considerable costs, wasteful management of public resources and financial strains for the state.99

**Iraq**

As in Lebanon, Iraq’s political system, based on *muhasasa taifia*, has been conducive to the expansion of politically sanctioned corruption.100 Although corruption has always existed, it has reached unprecedented levels in the post-2003 political order. With the large influx of foreign aid and capital intended for reconstruction, Iraqi elites found new opportunities to siphon funds.101 In addition to its scale, the nature of clientelism has also changed as a result of the ethnosectarian power-sharing elite bargain: clientelism has become more fragmented and thus more diffuse, which has enabled impunity and unaccountability.102 Leaders of each ethnosectarian group have used their power and positions within the state and their access to public resources and money to finance their own networks of patronage and clientelism.103 This has resulted in international donors losing confidence in the capacity of Iraqi elites to manage the reconstruction funds, and some are now reluctant to provide international aid and assistance.104

Iraq’s deeply entrenched clientelist structures have thrived on the institutional weakness of the state compared to the strength of ethnosectarian groups and identities. Given their wide reach and influence, clientelist networks eventually subvert and compromise even the anti-corruption bodies and mechanisms established to combat them, as corrupt actors—irrespective of group affiliation—shield

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96 Salloukh (note 94).
98 Salloukh (note 94).
100 Dodge and Mansour (note 2).
103 Dodge and Mansour (note 2).
each other from prosecution and conspire with each other to protect their interests and the status quo that makes their profiteering possible. Conversely, anti-corruption mechanisms are frequently used as an instrument against political rivals (e.g. through false accusations of corruption, manipulating the judicial system and bribing investigators), reflecting the competition and the tensions between Iraq’s factions. These practices suggest that anti-corruption bodies and mechanisms are often undermined as corrupt actors and networks find ways to circumvent them.

The apparent unwillingness of political leaders in Iraq and Lebanon to enact serious reforms and truly commit to improving accountability reflects a deeply rooted interest in maintaining the status quo and preserving their privileges. However, the cost of inaction and the prolongation of the crisis is borne by the local populations. The pervasiveness of corruption and the precariousness of the economic situation have had a damaging impact on the availability and the quality of public services in both countries as well as on the ability of citizens to access them in a fair and equitable manner. The next section turns to this problem.

Public services

Lack of access to quality public services has been one of the fundamental and most recurring grievances during the protests in Iraq and Lebanon. The state’s limited capacity to provide these services is widely considered to be a symptom of its weakness, which has resulted in calls from protestors in both countries for the complete overhaul of the political system. In both Iraq and Lebanon, access to healthcare, education, water and electricity services remain vastly inadequate.

Data from the Arab Barometer opinion survey of April 2021 shows that Iraq and Lebanon have some of the lowest rates of satisfaction with service provision: of those surveyed, only 26 per cent in Iraq and 17 per cent in Lebanon said that they were completely satisfied or satisfied with the healthcare system. Similarly, only 17 per cent in Iraq and 18 per cent in Lebanon were completely satisfied or satisfied with the education system. In addition, the impact of inadequate services is felt differently by different segments of society, as factors such as gender, socio-economic position, regional disparities and rural–urban divides, and status as a refugee (in Lebanon) or internally displaced person (in Iraq) deeply influence experiences.

106 Abdullah (note 105).
107 O’Driscoll et al. (note 1); and Mouawad and Baumann (note 52).
109 Kayyali (note 108).
Healthcare

Lebanon. Lebanon’s long-established sectarian order has meant that communal groups have often taken charge of administrating their own healthcare institutions and facilities, with the state mostly restricted to a regulatory role to ensure respect for quality standards. The destruction of most of Lebanon’s public hospitals during the civil war and the slow progress of the state in providing adequate healthcare services in the post-war period has driven the privatization of the health sector and reliance on private health providers. This heavy reliance on private providers and the state’s weak institutional capacity to regulate and control the health sector has led to the spread of corruption, with damaging consequences for the accessibility, affordability and quality of healthcare.

Put differently, the privatization of healthcare services in a context of weak state institutionalization and sectarian control has amounted to a dividing up of public resources among sectarian political and business elites. This has also entailed a growing financial burden for the state as private contractors have routinely overcharged the state for services provided, often with the collusion of political elites and compliance officers.

In addition to problems of affordability, other aspects of inequality also constrain access to healthcare in Lebanon. Vulnerable populations, including refugees, have even greater difficulty accessing healthcare services in Lebanon’s highly privatized health sector. There are also geographical disparities in the distribution of health services.

The Covid-19 pandemic put further stress on an already fragile sector, which was aggravated by the Beirut Port explosion due to the damage to hospitals and healthcare facilities. With crises piling up, many Lebanese doctors and health professionals have left the country in search of better conditions, further exacerbating the difficulties of the Lebanese health sector.

Iraq. Once one of the most advanced healthcare systems in the Middle East, Iraq’s healthcare system has been severely affected by conflict and successive episodes of violence. Uneven distribution of health centres and hospitals prevents many Iraqis—especially those living in remote areas and those forcibly displaced—from having adequate access to medical care. Furthermore, Iraq suffers from

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111 Leenders (note 89).
112 Leenders (note 89).
113 Gjertsson, S., The Impact of Corruption on Lebanon’s Public Health, UI Brief no. 3/2021 (Swedish Institute of International Affairs: Stockholm, 2021); and Leenders (note 89).
114 Leenders (note 89).
115 Gjertsson (note 113).
a shortage of medical staff, as many have emigrated, partly due to bad working conditions.\textsuperscript{119}

Healthcare is slightly better in the Kurdistan Region of Iraq (KRI) than in the rest of Iraq. For every 1000 people, the KRI has 1.5 beds and 1.4 doctors while the rest of Iraq has 1.1 hospital beds and 0.8 doctors.\textsuperscript{120}

Budgetary constraints and mismanagement have long been a serious problem, and the situation is aggravated by rampant corruption, whether in the form of the diverting of funds intended to improve health services or in the form of bribes paid to access services. The fires that erupted in hospitals in Baghdad in April 2021 and Nasiriya in July, killing scores and injuring hundreds, further revealed the substandard condition of Iraq's healthcare facilities and the high levels of negligence and corruption that prevail.\textsuperscript{121} Many Covid-19 patients died because of oxygen shortages in different parts of the country, including the KRI.\textsuperscript{122} The Covid-19 pandemic has dramatically exposed the multiple vulnerabilities of the healthcare system and revealed the high level of distrust that Iraqis have in the state and the public healthcare infrastructure.\textsuperscript{123}

\textit{Education}

\textit{Lebanon.} Lebanon's sectarian political organization has correspondingly produced a deeply sectarianized educational system, which in turn institutionalizes and perpetuates sectarian divisions and modes of political identification.\textsuperscript{124} There are three main types of educational institution: public schools operated by the state, faith-based schools subsidized by the state known as ‘free private’ schools, and private schools usually administered by sectarian communities and organizations.\textsuperscript{125} The fragmentation that characterizes the educational sector in Lebanon affects equitable access to quality education for all. It creates disparities in the quality of educational programmes and differences in the curricula followed by various schools. The lack of a national education vision and strategy also leaves considerable leeway for educational institutions to implement their own particular programmes in the absence of standardized national frameworks and weak oversight mechanisms.\textsuperscript{126}

In Lebanon, 4.5 per cent of GDP is spent on the education sector. However, the government’s share is only 1.8 per cent of GDP since a sizable share of the burden of education spending is borne by households through private education, with the

\textsuperscript{119} Omar, O., ‘Medical doctors, a disappearing profession in Iraq’, \textit{Arab Weekly}, 31 Mar. 2019.


\textsuperscript{124} Salloukh et al. (note 14).


vast majority of Lebanese students enrolled in private and ‘free private’ schools.\textsuperscript{127} Consequently, access to quality education often depends on socio-economic background, which means that the educational system often contributes to perpetuating social inequalities rather than opening up opportunities for social mobility. Academic attainment is also lower and dropout rates are higher among students from poorer families, many of whom struggle to finish secondary and post-secondary education.\textsuperscript{128}

The economic crisis and the Covid-19 pandemic have dramatically disrupted education for students in Lebanon.\textsuperscript{129} Frequent teacher strikes followed by school closures during the health crisis, the absence of a strategy for distance learning and a weak digital infrastructure are all factors that have negatively affected access to education throughout the country.

Refugee children, particularly Syrians, have faced additional barriers to education and learning, including restrictions related to legal residence status.\textsuperscript{130} Although Lebanon has made laudable efforts (backed by international funding) to ensure that refugee children have access to education, mainly through public schools, it is estimated that nearly 45 per cent of school-age Syrian refugees were not in school in 2019/20.\textsuperscript{131}

\textbf{Iraq.} As with the health sector, Iraq used to have one of the best education systems in the Middle East. However, years of conflict and insecurity have taken a toll on the sector and obstructed access to quality education and learning for many Iraqi schoolchildren. In addition, the education sector has not been spared Iraq’s endemic corruption. According to data from the Arab Barometer survey, 52 per cent of Iraqis think that it is highly or somewhat necessary to pay bribes to receive a better education.\textsuperscript{132} Fraud and the use of personal connections to obtain fake degrees are common in Iraq.\textsuperscript{133}

Iraq spends 6 per cent of its national budget on the education sector, but this must be contextualized by the fact that over 60 per cent of the population is under 25.\textsuperscript{134} Insufficient investment in the education sector has led to the deterioration of such public infrastructure as schools and universities, as well as of the quality of education in general. Furthermore, the curriculum often ignores the country’s mosaic of ethnic and religious diversity. There have been attempts to build a

\begin{itemize}
  \item \textsuperscript{127} Abdul-Hamid and Yassine (note 125).
  \item \textsuperscript{128} Abdul-Hamid and Yassine (note 125).
  \item \textsuperscript{129} Save the Children, ‘Lebanon education in crisis: Raising the alarm’, Mar. 2021.
  \item \textsuperscript{131} Save the Children (note 129). See also Theirworld, \textit{Keeping Our Promise to Syria’s Refugees: Education and the ‘No Lost Generation’ Commitment} (Theirworld: London, June 2020).
  \item \textsuperscript{132} Arab Barometer, ‘Are Arab Citizens satisfied with the education system?’, Fact sheet, 13 Jan. 2020.
  \item \textsuperscript{133} Zidane, S., ‘Corruption, deceit plague private education in Iraq’, Al-Monitor, 5 Apr. 2017.
\end{itemize}
curriculum that places more emphasis on peaceful coexistence and tolerance, but no tangible or concrete progress has yet been made.\textsuperscript{135} Tensions emanating from Iraq’s ethnosectarian power-sharing system have largely contributed to the education sector’s current state of decline. Religious and sectarian political actors have repeatedly attempted to manipulate academic standards to serve their own communities and reward those who are politically loyal to them.\textsuperscript{136}

\textbf{Access to electricity and water}

\textit{Lebanon}. Actual electricity production in Lebanon is considerably lower than demand, especially in the summer months when cooling systems are needed.\textsuperscript{137} As a result, supply from the national grid is intermittent, covering only a few hours per day. With frequent power cuts, many people are left to manage for themselves, using more expensive private and neighbourhood power generators if they can afford to.\textsuperscript{138} Considerable technical and administrative losses and high production costs also make Lebanon’s electricity sector highly inefficient. This inefficiency is due partly to the increasingly inadequate infrastructure and partly to the widespread corruption.\textsuperscript{139} This has caused Electricité du Liban (EDL), Lebanon’s national electricity provider, to accrue a deficit.\textsuperscript{140} In addition, Lebanon is facing shortages of fuel due to scarcity of the foreign currency needed to purchase it.\textsuperscript{141} As a result of the foreign currency crisis, the central bank, Banque du Liban (BDL), withdrew subsidies for fuel imports, driving the prices up, which had dramatic consequences for Lebanese people.\textsuperscript{142}

Insufficient fuel and electricity supplies have also affected the water sector, as several pumping stations have become non-operational due to the lack of power.\textsuperscript{143} Lebanon has largely relied on donor support and funding to keep the water and sanitation sector functioning.\textsuperscript{144}

\textit{Iraq}. Like Lebanon, Iraq grapples with a complex electricity crisis. Power cuts and outages are common year-round, causing much suffering to local populations.

\textsuperscript{136} El-Tohamy, A., ‘Iraq’s former higher education minister strives to improve universities’, Al-Fanar Media, 3 May 2021.
\textsuperscript{144} USAID, ‘United States provides nearly $100 million in additional humanitarian assistance for Lebanon’, Press release, 5 Aug. 2021.
The situation becomes even worse during the summer, when temperatures reach extreme levels and the demand for electricity is at its peak. The gap between the limited supply and growing demand forces Iraqis who can afford it to rely on more expensive private and neighbourhood power generators that run on fuel. Interruptions and blackouts are largely the result of technical losses in Iraq’s antiquated infrastructure and distribution networks and the destruction of parts of the grid by the Islamic State group.\textsuperscript{145}

Iraq is also reliant on gas imports from Iran to run power plants, owing to a controversial decision taken by the government of Haider al-Abadi in 2016 to build a $400 million power plant that runs on gas rather than oil.\textsuperscript{146} Iraq’s dependence on Iranian gas has, however, meant that it has become vulnerable to the fallout from US sanctions on Iran and is dependent on US waivers to allow for imports. In June 2021 Iran suspended its supply to Iraq due to the latter’s non-payment, with detrimental impacts on Iraq’s electricity sector.\textsuperscript{147} At the same time, Iraq is the world’s second largest gas-flaring country: it is estimated that it burns the equivalent of 320 thousand barrels of oil per day as a byproduct of oil production, resulting in a waste of resources that is estimated to cost the economy $2.5 billion annually.\textsuperscript{148}

Unreliable electricity supply and water shortages have been at the origin of several protests in Iraq. In 2018 mass protests sprang up in Basra after water contamination and deteriorating sanitation systems poisoned almost 100,000 people.\textsuperscript{149} In July 2021 the minister of electricity resigned after power outages hit Baghdad and southern provinces amid a heatwave, which stirred renewed concerns of widespread unrest.\textsuperscript{150} The government has also blamed Islamic State fighters for major sustained attacks on power-transmission towers in the areas in the north of the country previously occupied by Islamic State.\textsuperscript{151}

Droughts have further aggravated the water crisis across the country, including in the KRI. High salinity is a further issue, particularly in the south. Climate change will only exacerbate both issues.\textsuperscript{152} Iraq has also failed to take advantage of its abundant sunshine, exploitable hydropower and good windspeed in certain areas in order to transition from hydrocarbons towards renewable sources of

\textsuperscript{146} Dourian, K., ‘Iraq’s electricity challenges mount as oil revenue slows to a trickle’, Arab Gulf States Institute in Washington, 15 May 2020.
\textsuperscript{147} Kullab, S., ‘Iran power cuts fuel fears in Iraq as scorching summer peaks’, Associated Press, 29 June 2021.
\textsuperscript{148} World Bank (note 70).
\textsuperscript{149} Aldroubi, M., ‘Basra hospitals overwhelmed as water poisoning cases near 100,000’, The National (Abu Dhabi), 25 Sep. 2018.
\textsuperscript{150} ‘Iraq power cuts stir protests as summer temperatures scorch country’, BBC, 2 July 2021.
\textsuperscript{152} Dawod, S., ‘Iraqi Kurdistan water crisis blamed on climate and Iran’, Al-Monitor, 29 July 2021.
energy.\textsuperscript{153} Finally, population growth and rapid urbanization continue to increase the demand for both electricity and water.

\textbf{Security and justice}

The (ethno)sectarian character of political organization in Iraq and Lebanon profoundly affects the ability of the state to fulfil what is traditionally considered one of the core functions of a state: to provide security and ensure order within its territory through maintaining the monopoly over the legitimate use of physical violence.\textsuperscript{154} The dynamics of (ethno)sectarian power-sharing not only contribute to the fragmentation of the security sector, but they also engender complex interactions with hybrid non-state security actors—part of the state, yet in many ways also independent of it. These actors penetrate and become intertwined with a state that is itself hybrid, with informal sources of authority and power existing alongside and penetrating the formal state apparatus.\textsuperscript{155}

The sectarianization of civil–military relations and the tensions between the (ethno)sectarian political elites on the one hand and the national security institutions on the other are highly detrimental to the latter's preparedness and effectiveness in responding to security threats.

\textit{Lebanon}

The Lebanese Armed Forces (LAF) have been affected by the changing dynamics of sectarian rivalries.\textsuperscript{156} Since the withdrawal of Syria from Lebanon in 2005, rival political sectarian elites have repeatedly made competing attempts to control and influence the LAF.\textsuperscript{157} Following narrow sectarian interests and calculations, they have sought to ensnare the LAF in sectarian competition. The civil war in Syria and the threats posed by the rise of the Islamic State group in the region have, however, contributed to the emergence of a fragile partnership between the LAF and the sectarian elites, allowing the LAF to develop its capability and


\textsuperscript{156} Nerguizian, A., ‘Between sectarianism and military development: The paradox of the Lebanese armed forces’, Salloukh et al. (note 14).

\textsuperscript{157} Nerguizian, A., \textit{The Lebanese Armed Forces: Challenges and Opportunities in Post-Syria Lebanon} (Center for Strategic and International Studies: Washington, DC, 10 Feb. 2009).
slowly build its identity and image as an independent, neutral and united national security institution.\textsuperscript{158}

Generally, however, the development of the security sector in Lebanon has been largely constrained by and subjected to the interests of political and sectarian elites.\textsuperscript{159} Lebanese security institutions, including the LAF and the national police force, the Internal Security Forces (ISF), are given enough capability and strength to respond to threats when commanded, but not enough to pose a challenge to any sectarian group.\textsuperscript{160} Furthermore, the sectarian composition of security institutions is designed to give different groups representation in and influence over them. Sectarian divisions within the officer corps of the LAF, for example, reduce the risk of its takeover or instrumentalization by any one group.\textsuperscript{161} However, these same divisions, together with the interference of sectarian politics, also hinder the development of a clear and coherent national defence strategy. As a result, action by security institutions—to respond to threats and provide security—tends to be selective and largely contingent on a confluence of interests that produces a consensus among key political and sectarian elites.\textsuperscript{162}

The fragmentation of the security sector is another aspect of the impact of sectarian power-sharing in Lebanon. In particular, the relationship between Hezbollah and the LAF is complex and has fluctuated between competition and cooperation.\textsuperscript{163} Hezbollah is, to a large extent, ‘a state within the state’, with armed forces that rival those of the LAF. As such, it challenges conventional understandings of the state's monopoly over the use of physical violence.\textsuperscript{164} Hezbollah’s control of several areas (e.g. Beirut’s southern suburbs and the south of the country) and its considerable military capabilities highlight the intricacy of its position in and relations with the Lebanese state. This reinforces analysts’ understanding of the state as a complex set of networks of elites, groups and interests. In this context of fragmented security provision, external military assistance to the LAF (mainly from the United States, France and, until recently, Saudi Arabia) has, by and large, been motivated by the need to counter the growing power and influence of Iran-supported Hezbollah, rather than a primary interest in providing security to the population.\textsuperscript{165}

In addition to these challenges, the fragile position of the LAF has been dangerously exacerbated by Lebanon’s economic collapse. The economic crisis has left


\textsuperscript{159} van Veen (note 154).

\textsuperscript{160} van Veen (note 154).


\textsuperscript{162} van Veen (note 154).


\textsuperscript{164} Mouawad and Baumann (note 52).

the LAF unable to pay soldiers their salaries, resulting in growing resentment and low morale. In turn, this presents serious threats to operations and creates enormous security risks for Lebanon and the region.\textsuperscript{166}

With regards to domestic security, the ISF suffers from corruption, sectarian penetration and politicization.\textsuperscript{167} This reinforces distrust and undermines perceptions of impartiality among Lebanese citizens. Moreover, there have been several reports of police brutality and excessive use of force by anti-riot units during largely peaceful protests.\textsuperscript{168} The LAF has also repeatedly been deployed to police protests even though it is not responsible—and not adequately trained—for internal security and law enforcement.\textsuperscript{169} Prosecutors often fail to investigate acts of excessive violence by security forces against peaceful protesters, and civilians are frequently tried in military tribunals.\textsuperscript{170} The limited independence of the judiciary further contributes to the sense of lack of accountability that prevails in Lebanon, not only in relation to security forces, but also to the wider impunity of political elites.\textsuperscript{171}

\textit{Iraq}

The challenge that sectarianized non-state actors constitute for the security sector of Iraq is embodied by the rise and power of the Popular Mobilization Forces (PMF). The PMF, also known as Hashd al-Shaabi, is a state-sponsored umbrella organization composed of a number of militias. It is not a homogenous actor; rather, it is composed of a variety of networks and groups with different affiliations and shifting patterns of cooperation and competition.\textsuperscript{172} While predominantly Shiite, there are also Sunni, Christian, Shabak, Yazidi and Turkmen militias, among others. Although the PMF is part of the state, its direct connections to individual political parties and alliances creates problems for both security provision and political power dynamics. Sections of the PMF are also seen as a vehicle for regional interference and influence, which has further impacts on political dynamics in Iraq.\textsuperscript{173} Thus, while the PMF is viewed by some as a provider of security, others consider it as a factor in insecurity and a driver of instability in Iraq given that some factions continue to act outside government jurisdiction.\textsuperscript{174} For example, the PMF is widely believed to be responsible for the

\begin{itemize}
\item \textsuperscript{166} ‘Lebanon Army appeals for aid as economic crisis leaves soldiers hungry’, BBC, 17 June 2021; and Lebanese Armed Forces, ‘International Conference on Supporting the LAF’, 17 June 2021.
\item \textsuperscript{169} International Commission of Jurists, ‘Lebanon: The military has no role in policing public protests, let alone in arresting, detaining and prosecuting ordinary civilians’, 10 Feb. 2021.
\item \textsuperscript{172} Haddad (note 155); and Mansour, R., \textit{Networks of Power: The Popular Mobilization Forces and the State in Iraq} (Chatham House: London, Feb. 2021).
\item \textsuperscript{173} O’Driscoll, D. and van Zoonen, D., \textit{The Hashd al-Shaabi and Iraq: Subnationalism and the State} (Middle East Research Institute: Erbil, 2017).
\item \textsuperscript{174} O’Driscoll and van Zoonen (note 173).
\end{itemize}
brutal repression of protesters in 2019 and the targeted killing of journalists and activists. Failure to prosecute the perpetrators of these violations, together with the generally weak enforcement of the rule of law, considerably undermines trust in the police and the judiciary in Iraq.

While in Lebanon regional geopolitics have arguably allowed some independence from sectarian influence for the LAF, in Iraq the potentially devastating impact of sectarian competition on military institutions and, consequently, on security, are clearly manifest. For example, during his time as prime minister in 2006–14, Nouri Maliki took measures to reinforce his hold over the Iraqi Armed Forces (IAF). He unconstitutionally placed them under his direct command and staffers them with those loyal to his party, the Shia Islamic Dawa Party, and to himself. He thus gradually converted it into his own personal force, while further marginalizing other communities from it, particularly Sunni Arabs. At the same time, widespread corruption led to a significant number of ghost employees within the IAF, where salaries are collected for non-existent soldiers. Both these factors severely undermined the IAF and were partly responsible for its staggering collapse in the face of the advances of the Islamic State group in 2014. As a result the PMF emerged as an important security actor, while subsequent prime ministers and the US-led coalition forces invested heavily in rebuilding the IAF.

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178 ‘Iraqi army “had 50,000 ghost troops” on payroll’, BBC, 30 Nov. 2014.
179 O’Driscoll (note 177).
4. Why is reform so difficult to achieve?

Reforms are urgently needed in Iraq and Lebanon. Yet, despite a broad agreement on the diagnosis of the socio-economic challenges confronting both countries and despite largely concurring views on what reforms are necessary to help both countries find pathways out of the crisis, reforms continually fail to materialize in the various sectors mentioned in chapter 3. The obstacles to reform in Iraq and Lebanon are intricately linked to the nature of their political systems based on sectarian and ethnosectarian power-sharing.

This chapter discusses some of the mechanisms through which the current political systems not only affect governance and state capacity, but also create obstacles for efforts to initiate and implement reform within the system. The chapter is based primarily on findings from interviews with current and former Iraqi and Lebanese officials and observers who have first-hand experience of the impediments of (ethno)sectarian power-sharing and who have confronted the barriers to reform that it erects. Corruption is a common theme that runs through all the following sections.

Political systems prone to deadlock

One of the major obstacles to reform in Iraq and Lebanon relates to the fact that resistance and gridlock are a characteristic feature of the current political systems. Within these governance systems, political and (ethno)sectarian leaders have the ability to paralyse the entire political system over policies or reform processes that they do not favour. As two interviewees put it, the systems of (ethno)sectarian power-sharing that have developed amount to ‘vetocracy’, which makes it difficult to adopt and implement reforms unless there is a consensus among the different sectarian groups and leaders. The likelihood of government paralysis is increased when some (ethno)sectarian actors also have heavily armed military wings, which gives them considerable power and leverage in political life, as is the case with Hezbollah in Lebanon and the political parties linked to the PMF in Iraq.

In Lebanon, for example, this vetocracy blocked the adoption of a government budget between 2005 and 2017. It was not until the development conference hosted by France in April 2018 that a budget law was passed, but this was arguably


182 Former Lebanese government official, Author interview no. 2, 13 July 2021; and Lebanese observer, Author interview no. 8, 28 July 2021.

183 Former Lebanese government official (note 182).

primarily motivated by the need to attract international aid and assistance.\(^{185}\) However, even the budget adopted in 2018 did not really address the needs of Lebanon.\(^{186}\) The inability to adopt a budget illustrates the intrinsic difficulties of decision-making in a system that is based on agreement and consensus among the leaders of different factions. For the same reason, this vetocracy also precludes major investments in various sectors, as these investments, again, are contingent on the backing of all political factions.\(^{187}\) The result is crumbling infrastructure and poor public services, as the crisis of the electricity sector shows.

Similar dynamics are present in Iraq. Officials who join the government with a vision and a genuine interest in initiating reforms—especially independents and technocrats who do not have the backing of political parties—soon realize the extent to which the apportionment of state institutions and resources weakens government action and undermines attempts to implement reform plans. From the outset, the ethnosectarian political blocs and parties establish boundaries that restrict the room for reformers to take action.\(^{188}\) One former high-level Iraqi official pointed out that reformers are reminded that the ministry or the state institution that they administer ‘belongs’ to a particular party or bloc and that the expectation is that they refrain from altering the organizational structure, staffing and so on. They are warned not to make any decisions without prior consent from the controlling party or bloc.\(^{189}\) This significantly limits the autonomy and authority of officials who want to undertake reform. In addition, reformers often become the target of accusations of wanting to harm the country.\(^{190}\) They face virulent media campaigns discrediting their work as well as the reform plans they envisage.\(^{191}\) Although reform programmes are developed and formally adopted, reformers in government argue that there is a lot of resistance when it comes to implementing them, which often results in reforms eventually being abandoned.\(^{192}\)

Some argue that the crippling impact of (ethno)sectarian power-sharing on the governments’ ability to implement reforms is further aggravated by the tendency of some groups to prioritize their loyalties to foreign powers over the interests of their fellow citizens and by their willingness—in the interests of their foreign patrons—to block government action.\(^{193}\) In this regard, the interference of Iran in Iraqi politics and its influence on armed militias affiliated with Shia political

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186 Lebanese observer (note 182); and Kulluna Irada, ‘Liban : Ouvrons enfin le débat sur le budget’ [Lebanon: Let’s finally open the debate on the budget], L’Orient–Le Jour, 7 July 2018.
187 Lebanese observer, Author interview no. 1, 9 July 2021.
188 Former Iraqi government official, Author interview no. 6, 19 July 2021.
189 Former Iraqi government official (note 188).
191 Former Lebanese government official, Author interview no. 5, 18 July 2021.
193 Iraqi government official, Author interview no. 7, 27 July 2021.
parties constitutes a significant barrier to reform. Iraq has also struggled to become more energy independent by developing its own gas and power sectors and remains dependent on Iran for energy despite pressure from the USA.\textsuperscript{194} Hezbollah’s ties to Iran and Syria play a significant part in Lebanon’s instability, as the country becomes caught in crossfire between foreign powers.\textsuperscript{195}

**Weak governments and lack of continuity in national reform programmes**

In addition to being prone to deadlock and paralysis, the (ethno)sectarian power-sharing political systems of Iraq and Lebanon tend to produce weak governments with weak mandates.\textsuperscript{196} The major (ethno)sectarian groups that participate in the elections are guaranteed (formally in Lebanon, informally in Iraq) a share of power through ministerial portfolios and positions in the state bureaucracy. This means that governments are not primarily guided by public policy, political platforms and reform agendas. As the process of government formation tends to be the outcome of political bargaining to select a consensus candidate—one who is acceptable to all the political blocs and who is not likely to change the status quo—governments often lack a strong mandate and often have a limited authority to transcend the interests of (ethno)sectarian political blocs and the boundaries that these blocs set.

This weakness is a major obstacle to the elaboration of a national reform vision and long-term unified national development plans with which different governments can align their programmes.\textsuperscript{197} Moreover, successive governments tend to dismantle the work of their predecessors, rather than building on their achievements in order to improve the performance of different sectors.\textsuperscript{198} The lack of continuity thus constitutes an important barrier to reform in Iraq and Lebanon. In Iraq, for example, some of the transformations made in the electricity sector during 2018–19—especially in terms of a firm enforcement of responsibility and accountability—were reversed when the government was forced to resign after the October Revolution.\textsuperscript{199}

**Conflict of interests and vested interests in the existing system**

Those who have operated within the system observe that, when political leaders have vested business interests in, and stand to profit from, the system, they tend to


\textsuperscript{195}Levitt, M., ‘Hezbollah’s regional activities in support of Iran’s proxy networks’, Middle East Institute, 26 July 2021.

\textsuperscript{196}Ezzeddine, N. and Noun (note 53); and Byman, D. L., *Keeping the Peace: Lasting Solutions to Ethnic Conflicts* (Johns Hopkins University Press: Baltimore, MD, 2002).

\textsuperscript{197}Former Iraqi government official (note 192).

\textsuperscript{198}Former Iraqi government official (note 188).

have little interest in initiating and implementing reforms. Any reform would go against their interests and deprive them of privileges they currently enjoy.\footnote{Former Lebanese government official (note 191).}

In Iraq, for example, public contracts are a major source of corruption and are fraught with conflicts of interest. Generously paid contracts are awarded to companies run by senior party members (or those close to them). Complaints of poor delivery are ignored as the politicians who award the contracts protect the companies from which they and their parties benefit.\footnote{Dodge, T., ‘Corruption continues to destabilize Iraq’, Chatham House, 1 Oct. 2019.}

Similarly, in Lebanon, despite the enduring crisis in the waste-management sector, no serious measure has been taken to improve rubbish collection as the sector is dominated by companies associated with the Hariri family. Another example is the central bank, BDL. Normally, a central bank is supposed to stabilize the national currency. BDL, however, has let the unofficial exchange value of the Lebanese pound fall very low in its attempt to maintain the official peg to the dollar. To cover up the mounting losses and conceal signs of looming bankruptcy, it created a giant Ponzi scheme: starting in 2016, BDL relied on financial engineering to offer banks higher interest rates for depositing dollars, taking considerable risks and allowing the currency to continue to depreciate.\footnote{Former Lebanese government official (note 191); and Lebanese observer (note 182).}

At the same time, politicians and elites safeguarded their own financial assets in offshore accounts before the onset of the financial crisis.\footnote{Ameen, H. et al., ‘Lebanon’s offshore governor’, Organized Crime and Corruption Reporting Project, 1 Aug. 2020.}

BDL has been able to manipulate balance sheets to hide the losses and report them as assets.\footnote{Tamo (note 203).} This illustrates the free rein that officials and political leaders in Lebanon have to take decisions without being constrained by laws and international standards. Lebanese ministers, for example, are not prosecuted, and this means that they can take decisions without oversight.\footnote{Saleh, H., ‘Waiving of immunity is a gateway to justice for the Beirut Port blast’, Asharq Al-Awsat, 8 July 2021.}

At the same time, within the financial sphere, banking secrecy facilitates misappropriation and illicit activities, and this benefits the political and financial elites.\footnote{Former Lebanese government official (note 191). See also Wood, D. and Abdullah, O., ‘Coming clean: Time to open Lebanon’s chamber of banking secrets’, Working paper, Triangle, Dec. 2019.} Although banking secrecy for Lebanese public officials was lifted for 12 months in December 2020, critics say that the law is undermined by constraints on judges’ independent ability to order asset disclosure.\footnote{‘Lebanese Parliament lifts secrecy in cases of corruption, terrorism’, Arab Weekly, 29 May 2020; and ‘Lebanese Parliament agrees to lift banking secrecy for one year’, Reuters, 21 Dec. 2020.} This demonstrates once more the vested interest that elites in power often have in preserving the status quo, and why they often resist reform processes.
The sectarianization of state bureaucracy

Reform processes in Iraq and Lebanon are also impeded by the sectarianization and the politicization of the bureaucracy.\(^ {209} \) (Ethno)sectarian power-sharing at the political level translates into the apportionment of state institutions between ethnic and sectarian groups.\(^ {210} \) Such a division on (ethno)sectarian grounds is maintained even if it often means inefficiency and redundancy.\(^ {211} \) Positions are allocated on the basis of (ethno)sectarian affiliation rather than qualifications and suitability for the job. This is not limited to the upper echelons of the state but goes all the way down to junior levels of the administration.\(^ {212} \)

This sectarianization creates multiple chains of command, with civil servants following orders and instructions from their respective (ethno)sectarian leaders rather than implementing a common government plan and vision. Loyalty along (ethno)sectarian lines matters more than efficient management of the state. This has, among other things, led to a politicization of issues that are technical in nature and that require technical, rather than political, responses. It has led, for example, to the fragmented, unfocused, politicized and sectarian decision-making of EDL in Lebanon.\(^ {213} \) Even seemingly independent technocratic figures often have limited independence and continue to be entangled in the politics of sectarianism.\(^ {214} \)

Inadequate legal frameworks

Inadequate legal frameworks in various sectors constitute another major stumbling block for reform in both Iraq and Lebanon.\(^ {215} \) For reform initiatives to succeed, they need to be embedded in and supported by a set of laws and regulations that define the framework of application of new policies. In Iraq and Lebanon, however, multiple legal loopholes and weaknesses (and in some cases juridical vacuums) undermine reform plans.\(^ {216} \) Those who want to initiate reforms in a certain sector often find that they lack the legal instruments to do so, and this further disrupts desperately needed reform processes.\(^ {217} \)

An example given by an Iraqi official is of the connection between the fight against corruption and reform of the banking sector: the banking sector is critical for tracing transactions and cracking down on fraud and embezzlement, but the

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\(^{209} \) Former Iraqi government official (note 188).

\(^{210} \) Salloukh (note 94); and Dodge and Mansour (note 2).

\(^{211} \) Iraqi government official (note 193).

\(^{212} \) Salloukh (note 94); Mahroum, S., ‘Lebanon badly needs an independent civil service’, The National (Abu Dhabi), [n.d.]; and Dodge (note 201).

\(^{213} \) Lebanese observer (note 187).


\(^{216} \) Iraqi government official, Author interview no. 3, 14 July 2021; and Former Lebanese government official (note 182).

\(^{217} \) Former Lebanese government official (note 182); and Iraqi government official (note 193).
sector itself needs to be restructured to move away from the cash-based economy that facilitates corruption.\textsuperscript{218} This means that reformers are often confronted with the monumental challenge of developing the legal framework needed for their reforms from scratch.\textsuperscript{219} Moreover, as a former Iraqi official argued, even when laws and regulations do exist, their limited enforcement constitutes a barrier to reform.\textsuperscript{220}

In both Iraq and Lebanon the (ethno)sectarian power-sharing systems are also detrimental to the separation of powers, and this in turn undermines the independence of the judiciary.\textsuperscript{221} The investigation of the Beirut Port blast is a recent example of this, as it shows the extent of political meddling in the justice system: certain judges have been removed and others appointed whose affiliation or sectarian background better suits the elites in power.\textsuperscript{222} Similarly, a former Iraqi official argued that, although judicial independence is enshrined in the constitution, it is not enforced in practice.\textsuperscript{223} There are several examples of politically connected figures being exonerated of all charges.\textsuperscript{224}

**Generational gaps**

(Ethno)sectarian power-sharing systems give considerable power and influence to a small number of individuals who supposedly represent their respective communities.\textsuperscript{225} These (ethno)sectarian leaders tend, however, to collude with each other to maintain their grip on their communities and on the broader political system.\textsuperscript{226} This creates a rigid system that largely bars access to newcomers and hinders the development of new ideas and reform strategies.

This is especially visible in the generational gap between the old guard that controls the political system and the younger generation, which tends to be more open to reform. Those within the system do not admit others unless they accept its rules. This makes it extremely difficult for young people, who make up the protest movements in Lebanon and Iraq, to initiate or influence change.

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\textsuperscript{219} Iraqi government official (note 193).

\textsuperscript{220} Former Iraqi government official (note 192).


\textsuperscript{222} Chehayeb, K., ‘Lebanese MPs accused of Beirut blast “cover up” over trial move’, Al Jazeera, 21 July 2021.

\textsuperscript{223} Former Iraqi government official (note 192).


\textsuperscript{225} Yahya (note 50); and Hamzeh, A. N., ‘Clientelism, Lebanon: Roots and trends’, *Middle Eastern Studies*, vol. 37, no. 3 (July 2001).

\textsuperscript{226} Lebanese observer (note 182); and Former Iraqi government official (note 192).
5. Opportunities for reform in complex contexts

Iraq and Lebanon are on the edge of a precipice. Pathways out of the current crises are urgently needed to mitigate their impact and prevent further disintegration of the state and the ensuing deterioration of state–society relations. While chapter 4 shows that fundamental reform of the governance systems of Iraq and Lebanon is extremely difficult in the current circumstances, there are opportunities for reform within the existing political systems. Drawing on insights from the interviews, this chapter explores those opportunities and the actors who are most likely to drive them. Given the gravity of the situation in both countries, implementing reforms may, paradoxically, be the only way for the systems and the ruling elites to remain in place.

Restructuring the bureaucracy and the public sector

Although the governance systems of Iraq and Lebanon rest on sectarian or ethno-sectarian power-sharing at the political level, this need not be the case at the level of state institutions and the bureaucracy. In other words, while (ethno)sectarian groups can maintain their share of power through cabinet-level representation for example, political distribution need not penetrate all levels of state administration. A starting point for reform within the existing political systems may be restructuring and modernizing the bureaucracy in ways that ensure efficient management. For example, this could include recruitment on the basis of qualifications and merit, rather than (ethno)sectarian affiliation, while ensuring that the process is free of discrimination.

Of course, genuine reform of the state bureaucracy would curtail the influence that ruling elites derive from distributing public sector positions to their own supporters and would disrupt their networks of patronage. These elites will thus undoubtedly exert strong resistance to this reform. Such reform is, however, essential if Iraq and Lebanon are to emerge from the current crises and improve the delivery of basic services. This is a potentially acceptable compromise solution for achieving reforms within political systems governed by (ethno)sectarian power-sharing, as failure to reform threatens the very system the elites are trying to preserve.

Addressing corruption and promoting accountability

Closely connected to restructuring the public sector is taking steps to address rampant corruption and to promote accountability. Those that have operated within the governance systems of Iraq and Lebanon argue that opportunities in this regard consist of drawing attention to and publicly exposing corrupt actors.

\[227\] Lijphart (note 9).
and actors that obstruct specific reforms.\textsuperscript{228} Such publicity signals clearly that blocking reform processes or engaging in corrupt practices is not without political risk, and the risk of public attention could deter some actors from abusing their power and stalling reforms with impunity.

In Iraq, for example, Iraqi President Salih proposed in May 2021 an ambitious anti-corruption bill that aims to recover embezzled assets.\textsuperscript{229} The proposed law itself has been praised as an important step in the fight against corruption inasmuch as it is difficult for political elites to oppose the bill publicly without risking being penalized in the eyes of the public.\textsuperscript{230} However, the proposal was made just a few months before the October 2021 elections, at a time when the parliament was nearing the end of its mandate. This made adoption of the law impossible at the time. Furthermore, it seems likely that those political elites that are guilty of corruption would publicly support such anti-corruption reforms while at the same time doing all they can privately to defeat them.

In May 2020 the Lebanese Government adopted the National Anti-Corruption Strategy 2020–25 to combat corruption in different sectors. The strategy calls for the establishment and strengthening of oversight bodies to enforce accountability measures and investigate corruption-related cases.\textsuperscript{231} These include among other things the establishment of the National Anti-Corruption Commission and the adoption of the decrees and instruments necessary for the implementation of the 2018 Law on the Protection of Whistle-blowers, the 2021 Law on Public Procurement and the 2017 Law on the Right to Access Information.\textsuperscript{232} However, the implementation of the strategy is likely to be undermined by the collusion between Lebanese political elites, the limited independence of the judiciary, and widespread conflicts of interest in public appointments.\textsuperscript{233}

Consequently, while exposing wrongdoing and establishing mechanisms to fight corruption may constitute an opportunity for reinforcing accountability, it must be underlined that the elites who benefit from the status quo or who are themselves involved in corrupt activities will deploy their own strategies to undermine or circumvent anti-corruption laws and policies. However, rebuilding the credibility of state institutions and restoring trust between state and society is at stake. Given the growing popular anger and discontent in Iraq and Lebanon, reducing rampant corruption in (ethno)sectarian power-sharing systems may,
paradoxically, prove to be the best strategy for these systems to become more stable and remain in place.\footnote{O’Driscoll et al. (note 1).}

That being said, it is also important to ensure that efforts to counter corruption and hold those responsible accountable do not derail recovery or further delay urgently needed reforms. As lessons from transitional justice suggest, there is a fine line between, on the one hand, demands for ending impunity and enforcing accountability and, on the other, the pitfalls of further polarization and tensions.\footnote{Yusuf, H. O. and van der Merwe, H., Transitional Justice: Theories, Mechanisms and Debates (Routledge: London, 2021).}

Elections

Large segments of the population in both Iraq and Lebanon seem to have lost faith in the electoral process and its ability to really deliver political change with a positive impact on citizens’ lives and access to basic services.\footnote{National Democratic Institute, Political Distrust and Frustration Mount as Pandemic Impacts Iraq: Key Findings of Qualitative Public Opinion Research Conducted in Five Provinces in Iraq—Anbar, Diyala, Kirkuk, Ninewa, and Salahaddin (NDI: Washington, DC, Jan. 2021); and Mourad, J., ‘Voter apathy and vote buying stymie Lebanese democracy’, Lebanese Center for Policy Studies, Feb. 2019.}

Nonetheless, elections remain an important channel for citizens to exercise their citizenship and rights as well as an opportunity to elect individuals committed to reform to be their representatives. This would require that political projects that present an alternative to sectarianism and identity politics are allowed some space. The grip of the ruling elites could thus be challenged and gradually, rather than abruptly, weakened.

It is true that elections are usually marred by corrupt practices and that political elites tend to keep tight control of the electoral process.\footnote{Ghaddar, S., ‘Challenging the status quo in Lebanon’s upcoming elections’, Century Foundation, 27 Apr. 2018.} However, there are precedents for political mobilization that succeeds in bringing some, albeit limited, change and in creating a breach within which civic-minded groups and individuals can contest the hegemonic (ethno)sectarian dynamics. For example, in Lebanon, the Beirut Madinati movement, which was created after a crisis over the collection of rubbish in 2015, entered the 2016 Beirut municipal elections. Unlike in parliamentary elections, seats in municipal elections are not allocated along sectarian lines.\footnote{Deets, S., ‘Consociationalism, clientelism, and local politics in Beirut: Between civic and sectarian identities’, Nationalism and Ethnic Politics, vol. 24, no. 2 (2018).} Although Beirut Madinati did not win the election, it nonetheless showed the potential for civic participation; even at the municipal level, where stakes are arguably lower, rival established political elites across the 8 March–14 March divide felt the need to combine forces and create a joint list—the Beirutis List—to counter the new challenge.\footnote{Abu Rish, Z., ‘Municipal politics in Lebanon’, Middle East Report, no. 280 (fall 2016).}
Similarly, new parties connected to the 2019 uprisings in Iraq and Lebanon have emerged that are gradually beginning to change the political narrative. In Iraq, these parties—such as the Intidad Movement—benefited from a new electoral law adopted in 2020, which increased the number of electoral districts from 18 to 83 and replaced voting for party lists with voting for individual candidates. In the October 2021 elections to the Council of Representatives, while many of the established parties lost seats, Intidad won 9 of the 329 seats, the opposition New Generation Movement, which is active in the KRI, won 9 seats, and independent candidates won 37 seats (although many are connected to establish political parties). Most importantly, a small but genuine opposition within the parliament is beginning to emerge. Although turnout was a record low, these were positive signs that elections can lead to gradual change. While the change will not be drastic, it does begin to alter the political narrative in Iraq of the same established parties winning all seats and dividing the government positions and power between them, and it lays the foundations for further change in future elections.

Lebanon is expected to hold legislative elections in 2022. For citizens, active engagement in these elections may not be as consequential as might be hoped. However, sustained citizen pressure through electoral channels remains crucial to weakening the domination of sectarian elites, and thus contributing to a gradual transformation of the political culture.

Changing perceptions and discourses

The (ethno)sectarian power-sharing arrangements in both Iraq and Lebanon were meant to give the different ethnic and sectarian groups a say in decision-making and the exercise of power. Over the years, these arrangements have, however, been perverted by widespread corruption and the instrumentalization of sectarian identities as a mechanism to control society. Put differently, an inclusive pact among the elite is necessary for stabilization in the short term, but in the longer term this inclusive pact transforms into a system for dividing benefits and maintaining the status quo.

An important step towards reform in such a context is for citizens, media and civil society to gradually change perceptions of and discourses on identity by putting more emphasis on citizenship and less on ethnic or sectarian affiliation. Emphasis on equality in citizenship, where privileges do not depend on political

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242 Alkhudary (note 4).
243 El Kak (note 17).
244 Abi-Nassif, C., ‘The electoral path may not save Lebanon, but its citizens deserve the chance to walk it’, Middle East Institute, 19 Feb. 2021.
245 Salloukh et al. (note 14); and Nagle, J., ‘Consociationalism is dead! Long live zombie power-sharing!’, Studies in Ethnicity and Nationalism, vol. 20, no. 2 (Oct. 2020).
246 Lebanese observer (note 182).
affiliation, would help to gradually depoliticize (ethno)sectarian identities without denying their importance for individuals and communities. Although this process may not have tangible or immediately perceptible impacts, it is nonetheless critical in changing the overall political cultures in Iraq and Lebanon.

Even if transforming views and perceptions is a slow and complex process that requires time, once instigated it can have deep and wide-reaching implications, particularly in terms of the consolidation of alternative forms of political identification. This process is, however, delicate and requires those involved—whether they represent emerging political movements, civil society or external actors—to carefully monitor how identities are approached. In many ways, this process is already under way, as the strategies and repertoires of mobilization in the 2019 uprisings in Iraq and Lebanon illustrate.\textsuperscript{247} Overwhelmingly, protesters employed a discourse that deliberately focused on citizenship rights, detached from (ethno)sectarian frameworks.\textsuperscript{248} Gradually changing perceptions and discourses will eventually contribute to slowly recalibrating and moderating the political significance of (ethno)sectarian communities in a way that preserves their sociocultural relevance but reduces the political instrumentalization of (ethno)sectarian identity.\textsuperscript{249}

**Youth**

One of the pathways out of the crisis in Iraq and Lebanon is to give youth more space and opportunities for political and economic participation. Youth are of course not a monolithic group but are divided by the same ethnic and sectarian cleavages. Still, there are many highly educated and qualified young people in both countries who are eager to contribute to reform. Many have a different and new outlook on how to build modern economies and efficient institutions beyond the identity politics espoused by the ruling elites. However, the established elites see youth and their ideas and aspirations as disruptive to business-as-usual tendencies and a challenge to the old guard.\textsuperscript{250}

Continued marginalization and exclusion of youth will only heighten their disgruntlement and discontent. Eventually this will burst out in protests, as the 2019 uprisings in Iraq and Lebanon have shown.\textsuperscript{251} Another implication of young people’s marginalization and lack of opportunities is youth migration in search of better conditions. This means a significant loss of human capital, which is bound to be detrimental to both countries in the long run.\textsuperscript{252}

\textsuperscript{247} Iraqi government official (note 193).


\textsuperscript{249} Former Lebanese government official (note 182).

\textsuperscript{250} Iraqi government official (note 216).

\textsuperscript{251} O’Driscoll et al. (note 1).

Consequently, it is imperative that the elites in power listen to the grievances of young people and respond to their demands. In Iraq, one of the central demands of young people is to be treated as citizens rather than be hostage to interference by foreign powers such as Iran and the USA.\textsuperscript{253} In this regard, young people want their politicians to serve first and foremost the interests of Iraq and Iraqis. Similarly, Lebanese youth demand greater representation in decision-making processes and opportunities for political mobilization.\textsuperscript{254}

**Elites, old and new**

Governance problems threaten the sustainability of the state. This means that the elites in power themselves have a real interest in facilitating change by introducing urgent reforms to halt the breakdown of vital sectors: electricity and water management, public health, and education. Unless they do so, there will soon be no state for them to govern. In Lebanon, governance problems have driven the state to near collapse. In Iraq, popular discontent continues to be high. It sparked protests in 2019 and it will remain at a boiling point until grievances are addressed. Thus, both countries are reaching a stage where self-interest may lead to actual reform, albeit reform that maintains the system.

While the crises that have gripped Iraq and Lebanon have revealed how deep clientelism and conflicts of interest run in the political systems of both, they have also shown that, within these very systems, there are critical voices that have consistently opposed corruption. These voices have grown stronger and are gradually becoming more empowered and organized—this may eventually lead to the implementation of reforms if they can secure legitimacy and electoral success in the political system.

**Civil society and new civic movements**

Both Iraq and Lebanon have vibrant civil societies. Despite the obstacles, there are many CSOs and alternative civic and political movements that continue to advocate for reform in various sectors.\textsuperscript{255} New political movements and parties have arisen from the 2019 protests in Iraq. Some of these new parties participated in the October 2021 elections, while others have chosen boycott as a strategy for continuing protest against the prevailing political system.\textsuperscript{256} Likewise, in Lebanon grassroots movements have intensified efforts to develop their political agendas.

\textsuperscript{253} Azizi, H., ‘Challenges to Iran’s role in Iraq in the post-Soleimani era: Complex rivalries, fragmented alliances, declining soft power’, Stiftung Wissenschaft und Politik (SWP) Comment no. 44, July 2021.
\textsuperscript{254} Harb, M., ‘Youth in Lebanon: Policy narratives, attitudes, and forms of mobilization’, Arab Center Washington DC, 17 June 2021.
\textsuperscript{255} Lebanese observer (note 182).
However, they continue to face the dilemma of whether or not to participate in formal political processes ahead of the upcoming elections in 2022.\textsuperscript{257} There is an increase in attention from the international community to help build the civil societies of both countries.\textsuperscript{258} As they grow, so too can their influence in driving change.

**Support from the international community**

The international community is willing to provide support or aid to Iraq and Lebanon, but many external actors insist that it be contingent on the adoption of reforms. This was the case in Lebanon, where the International Monetary Fund (IMF) has demanded immediate reforms prior to a rescue plan being adopted.\textsuperscript{259} During the international donor conferences organized in August 2020 and August 2021 to collect funds for Lebanon, the Lebanese political class was instructed to commit itself to reform and to take the necessary measures to rehabilitate the economy and the provision of basic services.\textsuperscript{260} These measures included restoring the solvency of the financial system, reducing corruption and establishing a social safety net for vulnerable populations.\textsuperscript{261} Similarly, Iraq’s international partners have repeatedly stressed the urgent need for serious efforts to combat corruption.\textsuperscript{262}

International actors’ insistence on reform in exchange for support has in some cases led to the realization among the ruling elites that some reform is necessary for survival.\textsuperscript{263} However, more often than not, the need to respond to a crisis overrides the insistence on reform.

\textsuperscript{258} See e.g. International Organization for Migration (IOM), ‘Success Stories: Voices from Iraqi Civil Society Organizations’ (IOM: Baghdad, 2021); and USAID, ‘Civil society and media’, 12 July 2021.
\textsuperscript{261} International Monetary Fund (note 259).
\textsuperscript{263} Former Iraqi government official (note 192).
6. Conclusions

The crises that both Iraq and Lebanon are undergoing are so deep and complex that they not only have damaging impacts on citizens, but also threaten the very stability of the state and increase the likelihood of tensions and violence. Yet, by highlighting problems and weaknesses that need to be addressed, times of crises also bring opportunities to build better and stronger political systems in the long run. The present crises in Iraq and Lebanon underline the inadequacy of the sectarian and ethnosectarian power-sharing systems of governance. They have succeeded in their original purpose of bringing rival (ethno)sectarian groups together and giving them greater representation in, and influence over, the political system as a means to reduce conflict. But these political systems have now themselves become a source of instability due to institutional weaknesses and a lack of oversight and accountability that were not addressed from the outset. Moreover, not only have they contributed to the deterioration of socio-economic conditions and undermined the ability of the state to provide basic services, they also make meaningful reform difficult to achieve.

Nonetheless, opportunities for reform within the system do exist. These reforms have the potential to at least alleviate some of the governance problems associated with the (ethno)sectarian power-sharing system without necessarily changing the political system. While moving away from (ethno)sectarian power-sharing is seen by many as the only means of escape from the persistent crises in both Iraq and Lebanon, such a transition may take years, particularly as these systems continue to be deeply entrenched and reforms would have to be implemented by the very actors that benefit from the system. Instead of simply calling for the system to be changed altogether, this paper examines reforms that respond to the urgent needs of citizens while halting the processes of disintegration and collapse that threaten the continuity of the state.

As the paper shows, the dynamics and patterns of (ethno)sectarian penetration in, and interference with, various sectors—from the economy and security to education, healthcare, and water and electricity provision—are largely similar in Iraq and Lebanon. This means that some of the recommendations presented here can—with the necessary adaptation to the specific context—be relevant and applicable to both countries. In other cases, the situation in either Iraq or Lebanon is unique and thus calls for tailored recommendations. The next section provides recommendations on how to tackle some of the most pressing problems facing Iraq and Lebanon. Given their nature, they focus on reforms that must be initiated at cabinet level, but with an impact that extends far beyond. Many of these reforms represent uphill battles, but they are indispensable for stability in Iraq and Lebanon and, from an elite perspective, for the viability of the current political systems. Thus, they remain reforms within the system, rather than a more abrupt replacement of the system.
7. Recommendations

Governance

The stability and functioning of the new governments in Iraq and Lebanon are key priorities

Following several months of political deadlock, in September 2021 Lebanon’s prime minister-designate, Najib Mikati, announced the formation of a new government. Although this is an important precondition for the country to receive international support and loans, it is only the first step on the path of reform.

The new Lebanese Government is expected to undertake the considerable task of stabilizing the economy and reconstructing various sectors. This requires government stability—that is, a fully operating government and fewer political deadlocks—to avoid the lengthy power vacuums that have become characteristic of Lebanese politics, and which carry enormous costs in terms of lost development opportunities. It also requires an understanding on the part of the different political parties and elites in the government that a modicum of reform is absolutely necessary to prevent instability. Unless this happens, Lebanon will remain in its current state of collapse, and Lebanese people will continue to bear the cost of unaffordable basic commodities, scarce medicine, expensive fuel and extended power cuts. This is bound to engender even more protests and social unrest.

Following Iraq’s general elections of October 2021, it is important that the political blocs avoid the wrangling and delays that typically characterize the government-formation process. The new Iraqi government needs to reflect the choices of the electorate (within the power-sharing framework), rather than the narrow interests of elites, and it needs to formulate a coherent and realistic programme to address the challenges that the country faces with measurable targets. The October Revolution toppled a government that was failing to deliver—addressing these challenges is thus in the political elites’ self-interest.

Addressing and reducing corruption should be key priorities for the governments of Iraq and Lebanon

Pervasive corruption has been extremely damaging to the state in every possible way, causing the resentment of citizens in both countries to reach a boiling point. The adoption of anti-corruption strategies and policies is a first step, but more needs to be done to actually implement and enforce them. Making corrupt practices more difficult in the first place should be the core priority.

Both Iraq and Lebanon should establish and—most importantly—empower independent bodies to curtail corrupt practices and investigate allegations of corruption in different sectors. Policies that ensure the recruitment of qualified and competent individuals in various sectors are also in great need in both countries. Overall, measures to increase accountability and transparency are essential to rebuilding public trust in both Iraq and Lebanon, but they must be implemented cautiously so as not to derail recovery or exacerbate instability.
External actors have an important role to play in addressing corruption. In particular, they must ensure that their approach to providing funding and support focuses less on expedient solutions and more on the soundness of the process and the needs to enforce principles of accountability and deliver concrete long-term results. This could, for example, entail adopting preventive measures and building safeguards into international assistance systems to prevent corruption and mismanagement of external funds. It could also entail engaging and empowering civil society actors to act as watchdogs to monitor how funds are used.

**Electoral law reforms in Lebanon are indispensable**

The current electoral system in Lebanon leaves little space for independents to run in or win elections, contributing to the persistence of sectarian representation. The 2017 electoral law established a system based on proportional representation, which in principle facilitates the participation of independents. In practice, however, the electoral districts have been designed in such a way as to maintain the power and influence of sectarian politics, thus largely undermining proportional representation. The electoral law therefore needs to be amended to allow for broader representation.

The current situation in Lebanon is much more critical than in 2017, and there is an urgent need to defuse tensions by increasing political representation and participation. Such an opening in the political space would allow the participation of independents and alternative political movements. This is crucial for the current system to remain relevant and responsive to the demands of increasingly larger strands of the population.

**Iraq should build on recent gains to allow broader representation**

Iraq’s new electoral law, which was adopted in 2020, does not meet all the protestors’ demands. However, there have been some positive steps towards loosening the monopoly of ethnosectarian blocs in the electoral process. The government needs to consolidate and build on these gains to ensure broad representation. New political and civic movements should use these opportunities of political opening—no matter how small—to push forward governance reforms.

**The economy**

*Reforms to the banking sector are crucially important in both Iraq and Lebanon*

Lebanon’s banking sector was, for a long time, the bedrock of the country’s economic growth owing to its seeming reliability, lucrativeness and depositor-friendliness. Many Lebanese and foreign nationals have deposited their savings in Lebanese banks due to the high interest rates on deposits and long-term investments. However, the financial crisis has depleted depositors’ money.

A comprehensive reform of Lebanon’s banking sector is imperative to restore trust and confidence in the country’s financial system. This entails, among other things, restoring solvency, unifying the exchange rates, tracing and recalling
ill-gotten assets, putting in place mechanisms to control capital outflows, and taking measures to compensate small and medium depositors. Reforming the banking sector is also indispensable for Lebanon to secure international assistance—whether from the IMF, the World Bank or other external actors—to inject liquidity into the financial system, overhaul state institutions and rebuild public services.

The Iraqi government also needs to prioritize the development of the banking sector and introduce robust financial controls. To address the prevailing cash economy, which facilitates corruption, the government and private sector need to make the banking system more accessible and trustworthy to Iraqis, and to encourage them to move away from a cash-dominated economy. This would also help to address corruption by increasing transparency and financial oversight. The Iraqi government, in concert with the banking system, needs to activate financial controls and regulatory frameworks to enhance transparency and oversight.

*Economic recovery in Iraq and Lebanon hinges on promoting and strengthening productive sectors*

In both countries, economic diversification and job growth are imperative. A failure to act threatens the viability of the political elites themselves within the current political system, as the weak economies are a key driver of protest against the governments. International investment is important, yet Iraq in particular continues to make it difficult for international businesses to operate; these policies need to be reversed.

Both countries need to quickly adopt and implement policies likely to rehabilitate and encourage productive sectors, while taking steps to build a green economy. For example, the agricultural sector in Iraq presents real potential for sustainable growth, but it should rely on adaptive strategies and sustainable farming systems that take account of the impacts of climate change and that are based on sound and efficient land and water management. This means directing efforts towards crops that are suited to Iraq’s climate and in which Iraq has an advantage. Strengthening the agricultural sector in Iraq also entails providing support to access markets so that local farmers can compete with imported goods from neighbouring Iran and Turkey. In Lebanon, sustainable development in the agricultural sector requires building and modernizing infrastructure. Similarly, both Iraq and Lebanon have great potential as tourist destinations given their rich heritages, histories and diversity. However, more needs to be done to improve the security situation, upgrade tourist infrastructure (while applying the above-mentioned anti-corruption policies) and facilitate access for tourists.
Water resources and the electricity sector

Policymakers in both Iraq and Lebanon must urgently take steps to depoliticize electricity and water resource management.

These sectors are critical to people’s daily lives and are also critical for national security. Political and (ethno)sectarian calculations and tensions must therefore not be allowed to hamper the management of these sectors. While decision-making is inherently political even in technical sectors such as electricity and water resource management, what is problematic is the political instrumentalization of these sectors to serve (ethno)sectarian or personal interests.

Policymakers in both Iraq and Lebanon must do more to ensure management according to standards of performance, efficiency, and equal and inclusive access. For example, service-level agreements can be used to organize the relationship between service providers and users. This means defining terms of reference regarding delivery, quality, cost and fair distribution. Regulating the relationship between providers and users thus helps to inform user expectations and to make providers more accountable.

Mechanisms should also be put in place to combat corruption and clientelism in energy and water resource management in Iraq and Lebanon.

The lack of oversight and control in the energy and water sectors has created opportunities for clientelism, leaving citizens with poor services and unequal access. It is therefore important that anti-corruption mechanisms within these sectors are enhanced and, more importantly, enforced to ensure that citizens in both Iraq and Lebanon have equal and fair access to electricity and water services.

Both Iraq and Lebanon need to establish independent electricity and water-management bodies.

These bodies would take charge of implementing long-term plans and strategies to restructure the electricity sector and manage water resources, while still working in close coordination with the respective energy and water ministries. By forming wide support for long-term reform plans and by placing technocrats in charge, this would ensure continuity of implementation that is unaffected by changes in government, while maintaining links with ministries and elected institutions. Robust oversight mechanisms should be put in place to monitor the work of these independent bodies and to evaluate their progress in achieving the reform plans.

Iraqi and Lebanese policymakers need to stabilize the energy sector in the short term, while also taking steps towards long-term sustainability.

To solve the electricity crisis, Lebanese authorities need to urgently secure long-term fuel contracts to be able to reliably operate existing power plants in the short term. They should also build new power plants to meet the population’s demand for electricity in the medium term. As the electricity sector is stabilized and to sustainably solve the country’s energy problems, the Lebanese Government...
should elaborate a long-term comprehensive energy strategy based on the shift to gas and a serious transition to renewables.

Calls for economic diversification and moving away from hydrocarbons towards green and renewable sources of energy are not new in Iraq. Successive governments have recognized the importance of such a transition, but little has been done to initiate it. Gradually integrating renewables into Iraq’s energy mix would help to address chronic power shortages that deprive homes, businesses and even critical institutions such as hospitals of power.

Although a green transition is not an easy feat in either Iraq or Lebanon, it is one that promises long-term energy sustainability. Combining climate adaptation (via a green transition and sustainable energy solutions) with economic reforms would also set both countries on track to meet the socio-economic demands of their populations. A focus on the diversification of the economy and the move towards renewable energy should also accompany investments in education in both Iraq and Lebanon.

The transition to a green economy is another area where Iraq and Lebanon can benefit from the support of the international community. International support could, for example, focus on helping both countries set clear targets and realistic plans for restructuring the energy sector and diversifying the energy mix. It could also help finance projects that meet sustainability criteria.

Structural transformations are bound to produce winners and losers. It is thus important to closely monitor and mitigate the repercussions of change to prevent both monopolies and attempts to obstruct the process. This can be done through relentless persuasion, providing financial incentives and using leverage to exercise pressure.

**Health and education services**

*Both Iraq and Lebanon need to increase government spending on their healthcare systems*

In particular, public health infrastructure in both countries needs to be overhauled so that citizens with limited financial resources can still access quality healthcare without being forced to turn to private healthcare providers that often charge excessively high fees. As both countries prioritize security spending over health (as well as other basic services), a reprioritization is needed.

The Covid-19 pandemic should serve as a wake-up call for both countries to invest in healthcare systems that are no longer fit to meet the needs of the populations. Reforms in the healthcare sector may, for example, include taking steps towards the establishment of a social security system in which healthcare services provided and contributions are clearly specified.
Policymakers in both Iraq and Lebanon need to take steps to alleviate the pressure on medical staff

Both countries should provide an adequate working environment and conditions. They should also provide the necessary incentives for highly skilled professionals to stay in their home countries, thus mitigating the impact of brain drain.

Both Iraq and Lebanon need to increase accountability measures in the health sector

They should strengthen regulatory authorities to uphold safety standards and better monitor the quality of public health services.

Lebanon and Iraq need to ensure equal access to quality education for all

Both countries need a clear strategy and more investment in the education sector. Furthermore, the strategies should meet the future needs of the economy so that graduates have the skills needed to enter the job market.

Security and justice

Iraq and Lebanon need to take steps to improve personal security and reduce brutality and abuse

In Iraq, the multiplicity of security actors undermines citizens’ personal security and results in high levels of violence, especially during protests. The Iraqi government should do more to tackle abuse and brutality against peaceful protesters and political opposition. It needs to take meaningful action—specifically by investing in training and ensuring accountability—to end impunity and improve the conduct of security personnel, riot police and other security actors such as the PMF.

Lebanon needs to take similar action to increase the neutrality of policing and put more emphasis on protection. However, it is important to note that training in itself is not enough, as improving the responsibility and accountability of senior leadership remains key to reform of the security sector.

Despite repeated pledges, curbing the influence of the PMF has proven a difficult task for successive governments in Iraq. Nonetheless, the new government needs to address the challenges posed by militias acting outside government jurisdiction and pave the way for the emergence of a truly national police system. Accountability for campaigns of intimidation and targeted killing of activists and journalists is a good place to start.

In Iraq and Lebanon, the judiciary needs to be better empowered to fully prosecute those actors that target civilians.

Lebanese policymakers must support the Lebanese Armed Forces to prevent the country from being exposed to security threats

The economic crisis has profoundly affected the LAF’s capabilities and its ability to pay salaries. This has seriously impeded the LAF’s preparedness and its ability to respond to security risks and threats. The LAF is a pillar of the Lebanese state
and perhaps the last institution to still represent unity in a deeply divided country. It is therefore imperative that the LAF receives the necessary support to be able to carry out its mission.

Iraq and Lebanon need to conduct a full security review and prioritize resources and spending

An initial step is for the LAF and IAF, as well as other security and justice institutions, to initiate a comprehensive security and justice review in order to identify strategic risks and priorities. The aim should be to articulate a coherent national security and defence policy, including governance of the security and justice sector. The involvement of civil society in processes of security sector reform and governance can add more transparency as well as an understanding of citizens’ perceptions and needs in terms of security. The review process should also allow for a review of spending in order to identify where it is most needed and where budgets can be decreased, particularly given the other challenges—healthcare spending in the light of the pandemic being particularly relevant—that both countries face.
Reform Within the System: Governance in Iraq and Lebanon

The 2019 protests in Iraq and Lebanon revealed a widespread dissatisfaction with political systems based on sectarian and ethnosectarian power-sharing, which many saw as being responsible for a host of governance failures. This has given rise to demands for a wholesale change of the political systems in both countries. However, the dismantlement of identity-based power-sharing systems is a remote prospect—they are deeply entrenched, and change would depend on action from the very political elites that benefit from them.

Instead, this SIPRI Policy Paper explores what can be done in the short term to address some of the key challenges confronting Iraq and Lebanon. In contexts where the political elites’ grip on the political system remains tight, every possible opportunity for reform must be grasped.

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