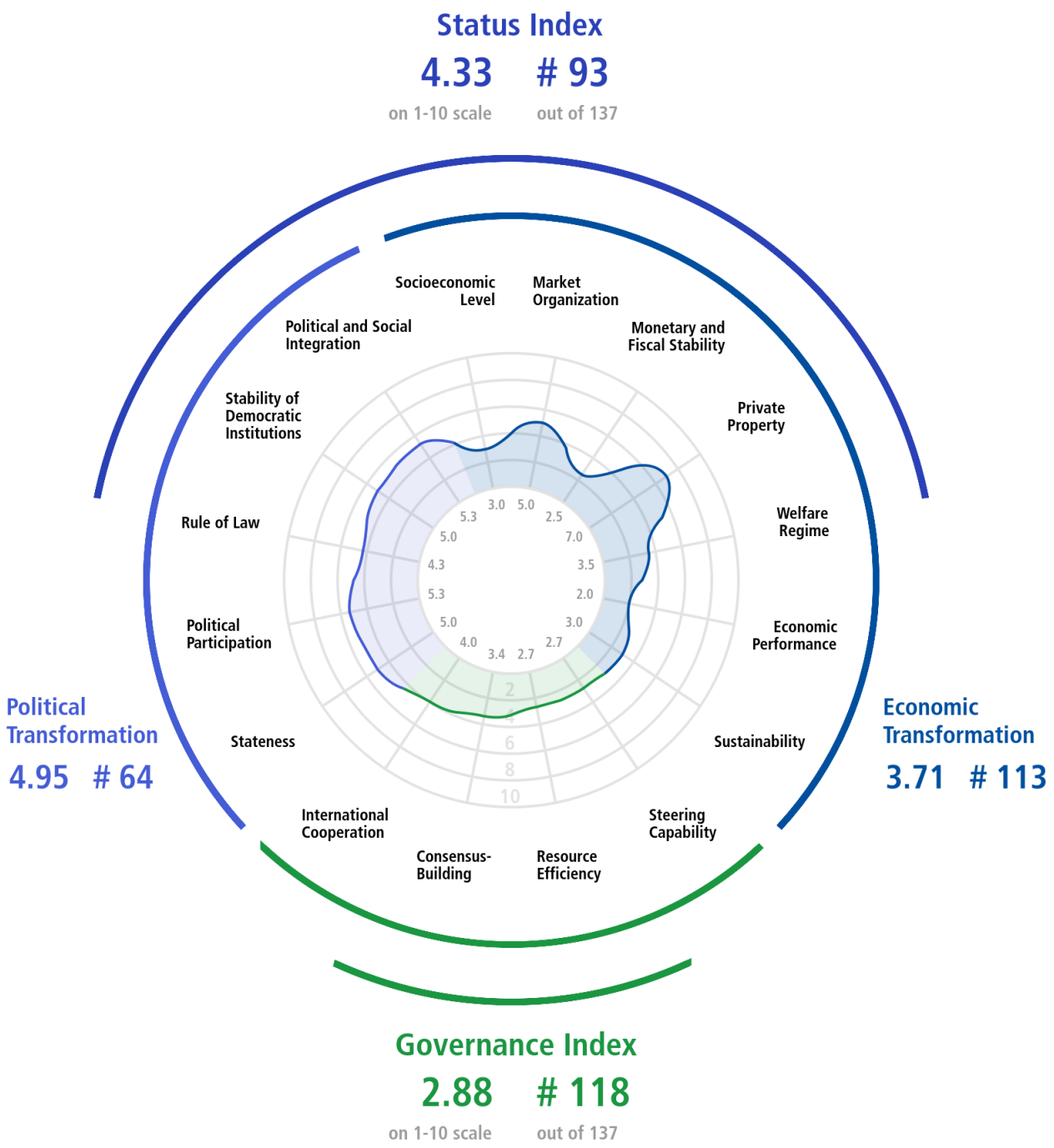
BTI 2026 Country Report

Lebanon



This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at https://www.bti-project.org.

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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner
Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann
Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Sebastian Plate
Phone +49 5241 81 81263
sebastian.plate@bertelsmann-stiftung.de

Sabine Steinkamp
Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	**5.8**	HDI	**0.752**	GDP p.c., PPP	$	**-**
Pop. growth[1]	% p.a.	**0.6**	HDI rank of 193	**102**	Gini Index		**35.3**
Life expectancy	years	**77.8**	UN Education Index	**0.670**	Poverty[3]	%	**0.1**
Urban population	%	**89.6**	Gender inequality[2]	**0.360**	Aid per capita	$	**302.6**

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than $3.65 a day at 2017 international prices.

Executive Summary

The assessment period from 2023 to 2025 was extraordinarily difficult for Lebanon. Not only was the republic without a president until January 2025, but it suffered the consequences of another brutal war between Israel and Hezbollah – the first since 2006. The war ended with a cease-fire on November 27, 2024, although a number of violations of this cease-fire kept tensions high. Early estimates suggested the losses to infrastructure were somewhere between $8 billion and $11 billion. The true figure remained unclear as of the time of writing.

By the end of 2024, the presidential vacuum had extended beyond two years. Najib Miqati's caretaker government had maintained stability but was not advancing the country further toward economic and democratic transformation. This was in part due to constitutional provisions that limit a caretaker government's abilities, given that there is no executive (president) in place. That is not the end of the story, however. Ironically, it was Miqati who in 2013 had changed the character of caretaking by introducing Circular No. 10 after he resigned. The circular transformed caretaking from a constitutional concept designed to be temporary and subject to the administrative judiciary's oversight into a political one delimited primarily by the acting ruling authority – the prime minister. Subsequently, caretaking became an opportunity for ruling elites to maintain privileges and exercise power with less accountability than under conditions of regular governance.

That is exactly what transpired between 2022 and 2024. Parliament met numerous times to elect a new president, but failed to reach a quorum on every occasion because Hezbollah and its allies wanted to push through a candidate without a parliamentary majority. Consequently, this led to a deadlock in which the "Change Bloc" with its 13 reform-minded members of parliament fell apart. The absence of an elected president went on, and government functions became increasingly unable to meet the twin challenges of economic (and associated social) crisis and the destructive war between Hezbollah and Israel.

In macroeconomic terms, there was a minor improvement in 2024 compared with both 2022 and 2023. The inflation rate dropped from a stratospheric 221% to 45%. Yet the complete picture is one of long-term struggle. Export volumes within all sectors have fallen. Arable land has been damaged by war, and local supply chains remain disrupted due to the loss of infrastructure, reduced container port loads and political uncertainty. Unemployment rates remain very high and many businesses have shut down. This situation had deteriorated further by early 2025 thanks to two compounding issues: physical damage from Israeli bombing campaigns and a lack of access to financial credit. Banks are not able to lend, and deposits remain decimated by currency devaluation. Families and business owners are struggling to find sufficient funds to rebuild their lives, homes and livelihoods.

A glimmer of hope emerged on January 9, 2025, when President Joseph Aoun was finally elected by parliament. Aoun, a former Lebanese Army general who remains well respected in that institution, now takes the reins for the next six years. The ability of the new government to make substantive structural reforms will be critical to unlocking further access to the international assistance needed to reset the economy and rebuild successful bilateral relations with Lebanon.

History and Characteristics of Transformation

The Republic of Lebanon is a consociational democracy with roots dating to the 19th-century "Mutasarrifiyah" of Mount Lebanon. This territorial division of the Ottoman Empire had a governing council whose members represented the six main sectarian communities of that era. Authorities of the French Mandate (1923 – 1943) adopted and adapted this model, although the constitution itself remained secular. It was not until the National Pact (Mithaq al-Watani) in 1943 that the sectarian division of political portfolios became somewhat institutionalized in a form familiar to contemporary observers. The Pact defined the current division of key positions, including a Maronite president, a Sunni prime minister and a Shi'ite parliamentary speaker. The newly independent Lebanon officially recognized 18 distinct religious and sectarian communities.

The strong, centralized "golden age" state model advanced by President Fouad Chihab (1958 – 1964) was destroyed by the civil war that raged between 1975 and 1990. Arguably, the Lebanese state still has not fully recovered from that war and its aftermath. This aftermath included a form of consociational decentralization in which public resources were plundered by politicians and high-level ministerial employees and subsequently redirected to those figures' private spheres of influence. The Taif Agreement that ended the war formally recognized and, in so doing, sectarianized the constitution. The state of the post-civil-war republic would therefore be irrevocably sectarian. Simultaneously, the agreement also provided a clear roadmap for de-sectarianizing politics, especially with regard to the election of the National Assembly (Majlis al-Nuwwab). This roadmap, which includes the creation of a bicameral parliament with a sect-based Senate and nonsectarian lower house, has not yet been implemented.

In terms of political culture, the postwar period has focused on leaders (zu'ama) as representative figures of factions within their sectarian communities. Lebanese politics cannot be formally dominated by a single actor or party, so an otherwise heterogeneous political class has, over time, demonstrated a degree of unity in defending its privileges. This has had at least three implications. First, formal alliances are organized mainly around the tactical and strategic agendas of parties rather than around agreement on policy. Second, as a consequence of the first, policy remains secondary to political culture. Third, when political elites do respond to public needs, it is usually a result either of a gesture toward collective survival – as in the case of the official response to the 2019 uprisings and economic crisis, for example – or acknowledgment of a changed reality.

Regionally, the civil war had an undeniable effect on Lebanon's relations with its immediate neighbors, Syria and Israel. Syria occupied Lebanon between 1978 and 2005, giving it immense influence over Lebanon's postwar trajectory. In practice, no political development took place without prior clearance in Damascus, and it was common for parliamentarians, prime ministers and presidents to make frequent, publicized visits to seek favor.

For its part, Israel occupied large areas of southern Lebanon between 1982 and 2000 and continues to occupy the Shebaa Farms, which it claimed in 1967. This occupation precipitated the emergence of Hezbollah in 1984, and Israel's withdrawal in 2000 gave the party significant support among the Lebanese regardless of sect.

Since 2000, Hezbollah's attention has turned inward toward the state, especially after Syria's formal withdrawal in 2005. After the party violently took over parts of Beirut and engaged in clashes with government supporters in 2008, it became clear that the state had no capacity to limit the party's room for unilateral action. Lebanon remained effectively hijacked by Hezbollah until its debilitation by Israel in 2024.

Economically, postwar Lebanon has been dominated by rentierism. With domestic productive capacity atrophied through wartime devastation, funding from abroad has been sought to fill financial gaps. Sources include diasporic remittances as well as aid and development assistance from states and international organizations. Some wealthy individuals such as Rafiq al-Hariri have been able to funnel capital from the Gulf and elsewhere into Lebanon. While serving as governor of the Banque du Liban (BDL), Riad Salamé kept interest rates on deposits made from abroad high, thus encouraging capital to move into the country. This model dramatically collapsed in 2019, precipitating the ongoing economic crisis.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

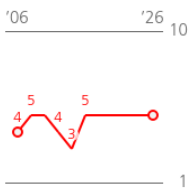
I. Political Transformation

1 | Stateness

Question Score

Monopoly on the use of force

5



The Lebanese state has an opportunity unprecedented since the end of the civil war in 1990 to assert a monopoly on the use of force in the country. Since October 8, 2023, Hezbollah has involved Lebanon in the "support for Gaza" conflict despite calls from the government and other local parties for it to stop in accordance with U.N. Security Council Resolution 1701 signed in 2006.

The three main institutions that make up Lebanon's security apparatus – the Lebanese Armed Forces (LAF), the Internal Security Forces Directorate (ISF) and the General Security (GS) – are dangerously underfunded and will require support from the international community to be sufficiently equipped to manage threats.

In the aftermath of the war with Israel, Hezbollah's capacities and psychological aura have been decimated, and the end of the Bashar al-Assad regime in neighboring Syria offers a chance to reset relations in the direction of greater respect. This is likely to mean that Syria will adopt greater independence from Iran in its relations with Lebanon. Previously, Iran had for decades used the friendly regime in Syria to channel weapons and financial support to Hezbollah.

Domestically, apart from the issue of Hezbollah, the Lebanese state's monopoly over the means of coercion is challenged by Palestinian factions in Lebanon's 12 refugee camps, and by small family- and clan-based militias and drug cartels. However, some of these groups are giving up their arms to the LAF at a higher rate than Hezbollah. Under the terms of the 1969 Cairo Agreement, Palestinian factions are responsible for security inside the camps, and Lebanese security personnel, whether military or civilian, do not enter or intervene. Hezbollah's current debilitation has reduced its efficacy as a domestically all-powerful non-state "state within a state." However, it still controls access to strategic parts of the republic, including the southern suburbs of Beirut (Dahiya) and the governorates of Baalbek-Hermel, Nabatieh and al-Janoub.

There is also the matter of Israel's continued occupation of Lebanese territory, both before and since the hostilities that began in 2023. The Shebaa Farms have been occupied since 1967, and Israel retains an illegal presence on the north side of the border even after its recent cease-fire agreement signed in 2024.

Support for the idea of Lebanon is resilient, and most of society agrees with its legitimacy. However, the question of how this is to be best realized in practice has been contested throughout the post-civil-war period. The sectarianization of state institutions and citizen practices including but not limited to legislative elections has promoted structural cleavages that weaken the sense of shared citizenship. Lebanon's continuing economic disintegration has further enfeebled horizontal citizenship, as the state has abandoned many of its duties toward citizens, forcing them to rely on familial, regional and sectarian affiliations.

State identity

7

Naturalization of noncitizens is a contentious issue. Four main groups of people are excluded from Lebanese citizenship either in part or in full, despite extended residence in the republic. Lebanese women possess limited citizenship rights based on the patrilineal nature of Lebanese citizenship; Palestinian refugees who arrived in or after 1948 are denied citizenship, as are their descendants; individuals and their descendants who for various reasons did not register in the 1932 census similarly lack citizenship rights; and refugees and foreign workers brought to Lebanon via the kafala system also lack such rights. Given the problems currently plaguing the country, there is little chance that these groups will have their citizenship status improved.

Religious dogmas and sectarian logics influence the operation of the legal and political order. Although the first constitution was essentially a secular document, subsequent agreements, including the 1943 National Pact (Mithaq al-Watani), introduced sectarian practices into national politics. The tradition of a Maronite president, Sunni prime minister and Shi'a parliamentary speaker – known as "the three presidencies" – was established by the Pact. Many parties, whether Christian or Muslim, are openly associated with a religious identity. Hezbollah, the "Party of God," literally manifests this.

No interference of religious dogmas

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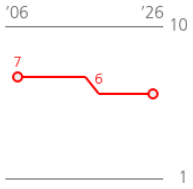

Given the strong association of sects with government positions, the operations of the government can, at various points, be blocked for sectarian reasons – for example, when the parliament's speaker does not call for a parliamentary session or there is an inability to vote for a president because of questions regarding their Christian "legitimacy." Although this demonstrates how sectarian identification shapes political institutions in the country, it can be argued that, in this context, dogma or theological principles are less significant than the politicization of religious identification. At the same time, it demonstrates how the constitution, which is a secular document, can be threatened when sectarian inclinations are put into practice.

In contrast, some policy areas are more directly influenced by religious dogmas. For example, Lebanon has made no progress in developing a civil or secular personal status code. As a result, Lebanon has nearly as many personal status codes (15) as it does officially recognized religious communities (18). This means that daily realities such as child custody, inheritance, marriage and divorce are governed by laws shaped by religious interpretations of these issues.

Basic administration

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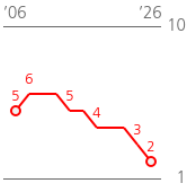

Basic administrative structures exist on paper but show shortcomings in practice. Lebanon is divided into four formal administrative levels: the central government, the governorates (Beirut, Mount Lebanon, North Lebanon, Beqaa, South Lebanon and Nabatieh), the kaza (districts) and the municipalities. The public sector, whose competencies are distributed across all four administrative levels, is responsible for taxation, justice and law enforcement, education, and utilities such as water and electricity, among other functions. However, there are significant regional differences between citizens' experience of these services, especially due to corruption and the activities of powerful non-state actors.

The recent war between Hezbollah and Israel is estimated to have caused damages exceeding $8.5 billion. This comes on top of the already disastrous economic situation that has affected the country since late 2019. In 2021, the World Bank described it as one of the world's worst financial crises since the 1850s.

In relation to administrative indicators, the picture is incomplete, and was certainly worse at the beginning of 2025 than suggested by the World Bank's 2022 statistics, the latest available as of the time of writing. To begin with, just over a quarter (25.7%) of the population was said to have access to safe sanitation. This figure is from before Israeli bombardment began, after October 7, 2023. The World Bank further reported that 47.7% of the population had access to a safely managed water source. This situation has undoubtedly deteriorated. Likewise, while Lebanon has historically provided its citizenry with access to a basic water source (92.6% of the population in 2022), access to basic sanitation (99.2%) and access to electricity (100%), all of these statistics are now unclear, especially the last, as private generators have for decades made up for the daily failures by Electricité du Liban (EDL) to furnish a constant supply of electricity. Given the loss of so much infrastructure, and with a currency that is only slowly emerging from conditions of hyperinflation, much of the population remains unable to afford the cost of private generation.

2 | Political Participation

Free and fair elections

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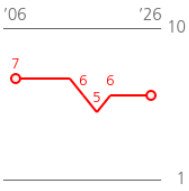

Lebanese citizens vote in national legislative elections to elect all 128 members of the unicameral parliament (Majlis al-Nuwwab). In the most recent elections in 2022, parliamentary seats were allocated to electoral districts according to Annex 1 of Law No. 44. Elections are conducted by secret ballot, and universal suffrage has existed since 1953. Legislative elections are, in principle, held on a four-year cycle and are organized by the Ministry of Interior and Municipalities (MOIM). They are overseen by the Supervisory Commission for Elections (SCE). However, instability has often been used by political elites as justification to postpone elections. Additionally, irregularities have occurred on polling day, particularly in Hezbollah-controlled areas, where in 2022 candidates not affiliated with the "Shi'a Duo" (Amal and Hezbollah) reported harassment and intimidation.

Yet, as the 2022 elections demonstrated, it is possible for independents to win seats, with 13 candidates known as the "Change Bloc" entering parliament. This was a new development in Lebanon's contemporary parliamentary history. The Change Bloc has had a strong discursive influence on parliamentary politics, offering an alternative vision for the country. They were also – although dissolved as a bloc – instrumental in the election of President Joseph Aoun in 2025.

Lebanon's Majlis al-Nuwwab functions more as a consultative body than as a strong legislature, although the constitution grants it significant powers. The composition of government cabinets is influenced but not determined by the relative sizes – in terms of number of seats and bargaining power – of the parties represented in parliament. As a result, while Lebanese citizens elect deputies, they do not directly elect governments. The next legislative elections are scheduled for 2026.

Effective power to govern

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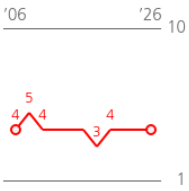

Since 1990, the effective power to govern by democratically elected representatives at all four levels of state administration has been hamstrung by a combination of factors, including regional power plays, historical precedence, local political elites' obsession with "consensus" and budgetary blackmail exerted by Beirut against the municipalities.

Consensus has historically resulted in paralysis in Lebanon. Nowhere has this been clearer than in presidential elections. On January 9, 2025, Joseph Khalil Aoun was elected the 14th president of the republic by parliament, more than two years after the expiry of former President Michel Aoun's (unrelated to Joseph Aoun) term on October 30, 2022. Parliament is constitutionally required to sit in session before the end of a presidential term in order to elect a successor to the office, thereby preventing power and procedural vacuums. Yet, since the end of President Emile Lahoud's tenure in 2007, Lebanon's political elites have used their leverage in parliament to manufacture dissensus in order to create an environment conducive to horse-trading portfolios. Lahoud's exit was accompanied by a six-month vacuum. Michel Suleiman, who succeeded Lahoud, similarly left office without a successor in May 2014. It took 29 months for Michel Aoun to be elected in October 2016.

The same applies to the formation of governments. They are often formed and approved only after long delays because veto powers block progress in the name of the necessity of representing all sects.

In the event of a presidential vacuum, the president's prerogatives are transferred to the sitting government (Article 62), which then enters caretaker mode. Both the government and parliament are unable to exercise normal functions until a president is elected by a qualified majority of two-thirds of parliament. As a result, the government's agenda cannot be implemented. The weakening of Hezbollah offers the Lebanese state an opportunity to assert itself against established veto powers.

Association / assembly rights

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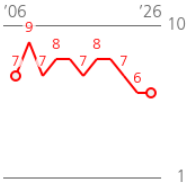

There have been no significant changes to the circumstances through which Lebanese citizens can exercise their association and assembly rights. Although the freedoms of assembly and association are guaranteed by Article 13 of the constitution, the practice of these rights is sometimes curtailed and met with harassment. The Ministry of Interior must be notified of an organization's establishment before legal recognition can be granted. The ministry is responsible for verifying that the organization seeking recognition respects public order, public morals and state security. While this is normally a straightforward process, some local NGOs, especially those focused on or led by Syrians, have reportedly faced bureaucratic obstruction or intimidation.

Lebanon's civil society is among the most active in the region. For example, Helem, the first LGBTQ+ rights advocacy NGO in the Arab world, was established and operates in Lebanon. However, given the central role of religious organizations and discourse in the public sphere, as well as in matters of personal status, there have been frequent instances in which members of the LGBTQ+ community have been threatened or detained. In addition to the government pressures, a Beirut bar supportive of the LGBTQ+ community was attacked by Jnoud el Rab (Soldiers of God), an extremist conservative Christian group, in August 2024, for example. The group responsible for the attack has yet to be held accountable.

All citizens are free to organize in different political groupings, and many parties compete at each election. Yet most of Lebanon's successful parties are institutional organizations centered on established communal leaders, who use them to dispense public resources via patronage networks.

Freedom of expression

5

Much as with the freedom of association, the freedom of expression is guaranteed by Lebanon's constitution. However, there are some specific exceptions involving the criminalization of defamation and insults to religion or the president. These are broadly defined in the penal code. Lebanon has an Access to Information Law (No. 28/2017) that requires ministries and administrations to publish administrative and financial data and information on their activities. It does not cover the private sector. In light of the ongoing economic and, until January 2024, political state of the country, there has been insufficient government support to enforce the law and its timeframes.

The republic has one of the most pluralistic media landscapes in the Arab world. However, two realities limit plurality in practice. First, the media sector reflects the sectarian divisions of Lebanese society, with the most popular newspapers and television channels openly linked to political parties. These include al-Manar (TV) and al-Akhbar (newspaper) with Hezbollah; Future TV and al-Mustaqbal (newspaper) with the Sunni Future Movement; and OTV with the Maronite-led Free Patriotic Movement. In practice, this results in a conservative-leaning media landscape. Journalists who have sought to cover issues related to feminism, the LGBTQ+ community or the treatment of refugees have been harassed. Second, and compounding the first factor, ownership is tightly held among a small number of families, with influential television stations LBCI, al-Jadeed and Murr TV ("MTV") respectively owned by the Daher-Saad, Khayat and Murr families.

Nevertheless, there has been an upsurge in independent media outlets supported by new business models and the international media donor community. These outlets have played a key role in engaging in major investigative reporting on the Beirut port explosion and the malpractices of the former central bank governor. The younger generation primarily turns to these platforms for news and political information, a factor contributing to the success of independent candidates in the latest parliamentary elections.

Consequently, journalists are not free to pursue their work without harassment or legal action. The ISF General Directorate told Amnesty International that its Cybercrimes Bureau had investigated a total of 1,684 insult and defamation cases between January 2019 and March 2024. This is because the penal code currently allows any journalist publishing a report online to be accused before the Cybercrimes Bureau of having committed an online crime instead of the case being handled by the Court of Press. One prominent case was that of Dima Saddek, who in July 2023 was sentenced to 12 months in jail following a defamation claim filed by Gebran Bassil. In 2024, another journalist, Riad Tawk, was questioned by the ISF Criminal Investigations Office after publicly criticizing Public Prosecutor Sabbouh Sleiman's suspension of an arrest warrant against former Public Works Minister Youssef Fenianos. Fenianos had been charged with homicide and criminal negligence in connection to the August 4, 2020, Beirut port explosion. Many other journalists working with independent media, such as Jean Kassir from Megaphone, have also been questioned.

3 | Rule of Law

Separation of powers

4

Checks and balances in the conventional sense of the executive, legislative and judicial branches of government exist, but not without the capacity for interference. The stalled investigation into the 2020 Beirut port explosion demonstrates that the work of the judiciary can be influenced by political actors. Similarly, there was judicial interference in the investigation of the assassination of Lokman Slim. The judge presiding dismissed the case, citing a lack of presented evidence – a charge disputed by Slim's lawyers and advocates.

The Taif Accord, which ended the civil war in 1990, established a practical working separation of powers. However, the idea of balance in the Lebanese polity historically refers to structuring the political system so as to ensure that no party or sectarian community can dominate the others. The power wielded by Hezbollah, especially between 2008 and 2024, illustrates the limits of this.

The president must consult parliament when appointing the prime minister. Parliament's sectarian composition ensures that government cabinets will include representatives from the largest parliamentary blocs. This is noteworthy because it is the cabinet's role to appoint public sector actors. Hence, opportunities exist for veto actors to block progress on appointments. For illustration, the appointment of the finance minister proved difficult for new Prime Minister Nawaf Salam. The Amal-Hezbollah "Duo" claimed that the post belongs to the Shi'a community and that they, as its largest representatives, therefore deserved it as part of their share of government roles. Historically this is untrue, as the finance portfolio has been held by members of other communities over the course of the post-civil-war era.

Independent judiciary

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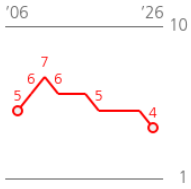


Lebanon's judiciary has faced criticism over the past two years for its apparent inability to hold high-ranking criminals accountable. The investigation into the 2020 Beirut port explosion has stalled for the last two years due to political pressure from Hezbollah and Amal. The judiciary has failed to support presiding judge Tarek Bitar, who resumed his investigation in 2025.

A number of political assassinations, including that of publisher and political activist Lokman Slim, remain unsolved. Riad Salameh, the disgraced former governor of Banque du Liban, was finally detained in September 2024 pending a series of corruption, fraud and embezzlement charges. Charges against him began to surface in 2020 both domestically and abroad, but progress has been very slow. The judiciary has also made no move against Lebanon's banks for their illegal actions preventing customers from accessing and withdrawing their deposits.

The election of President Aoun and his appointment of Salam as prime minister could usher in a new era of needed judicial reform. In his acceptance speech, Aoun said there would be "no immunities given to criminals or corrupt individuals" and no

interference with the work of the judiciary during his term. He has since pledged to work with the government to adopt a new law on judicial independence, aiming to professionalize the work of public prosecutors and improve judicial appointments.

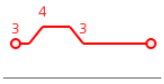
On the one hand, pedagogically, there are few doubts about the quality of the education provided to Lebanon's legal personnel. Future attorneys, judges and other justice-system workers are rigorously and competitively taught in university colleges and institutes. Furthermore, many students supplement this with further study in Europe and the United States. On the other hand, however, problems do emerge regarding promotions in the system, where political influence has proved to be a contributing factor. Compounding this has been the politicization of the judiciary since the October 2019 uprisings. Thus, Aoun's intervention is timely. For his part, Salam noted in his first speech as prime minister-designate, "It is now time to start a new phase [in Lebanon], rooted in justice, security, progress and opportunities so that Lebanon can be the country of free citizens." Time will tell how successful they are in implementing this vision.

Corruption remains a blight on Lebanese society and undermines general trust in the political system. No substantial reforms have been made in this area, and prosecution of officeholders who abuse their positions remains rare. The issue is not legislation, as Lebanon has ratified the United Nations Convention against Corruption and already has a useful legal framework in place. This framework consists of the Law on Asset Disclosure and Illicit Enrichment (No.189/2020), the amended Anti-Money-Laundering Law (No.44/2015), the Whistleblowers Protection Law (No.83/2018), the Law on Fighting Corruption in the Public Sector and the Establishment of the National Anti-Corruption Commission (No.175/2020) and the new public procurement law (No.244/2021).

Prosecution of office abuse

3

'06 '26 10



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Hence, Lebanon has a framework enabling prosecution in this area. The issue lies in enforcement. This results from the sectarian system and the lack of a true separation of powers, which allows veto powers to shield individuals.

The investigation into the Beirut port blast, for example, remains stalled. There is hope, however, that the new government will allow it to continue without interference. Former Banque du Liban Governor Riad Salamé remains in detention pending a number of trials for embezzlement, tax evasion and money-laundering.

There has been no significant improvement with regard to the protection of civil rights in Lebanon. The republic has ratified the International Covenant on Civil and Political Rights (ICCPR), and has endorsed the International Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (2000) and its subsequent protocol in 2008. Once again, although a legal framework to protect rights is in place, enforcement is limited, sporadic and unreliable. Discrimination based on gender, sexual orientation, religion and ethnicity persists.

Civil rights

6

'06 '26 10

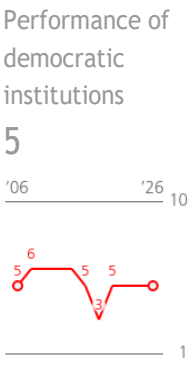
1

Citizenship laws remain patrilineal, so Lebanese women cannot pass their citizenship on to their children. The incidence of gender-based violence has increased in recent years, and media outlets are today more likely to publish news on the issue. In early 2024, a group of legislators elected in 2022 from outside the country's traditional sectarian system, who are referred to as "reform MPs," introduced a bill intended to counter violence against women. It included several strong provisions to remove exemptions in existing law and practice that have allowed cases of honor killings, marital violence and rape to go unpunished. By the end of 2024, the bill had not been approved.

Lebanon's refugee population, composed predominantly of Palestinians and Syrians, has seen its conditions worsen in the face of hostilities and general government dysfunction prior to the election of President Aoun. Refugees remain exposed to discrimination and arbitrary treatment in both employment and living circumstances. Before the latest round of warfare between Israel and Hezbollah, approximately 25,000 migrant workers, primarily from Africa and Southeast Asia, were employed in Lebanon via the kafala sponsorship system. Their already precarious situation was made worse by the hostilities. Many employers abandoned their workers, leaving them vulnerable to death, physical harm and various forms of abuse.

4 | Stability of Democratic Institutions

Major Lebanese democratic institutions, municipal councils, the national parliament and the public administration are not able to operate free of extensive counterproductive friction. Being embedded within Lebanon's sectarian political dynamics means that democratic institutions and expectations as outlined in the constitution are in fact subordinated to the interests of a number of Lebanon's elite, many of whom claim their mandate of action due to being legitimate representatives of their confessional communities. Democratic mechanisms (elections) and institutions are tools through which members of the political class negotiate and mediate conflicts among themselves. Participation by citizens in democratic practices therefore delimits instead of enhances democratization.



Additionally, many democratic processes are disrupted under the pretext of respecting sectarian sensitivities. For example, parliamentary voting of the state president had been stalled since 2022 – until Joseph Aoun was elected on January 9, 2025 – because none of the previous candidates had been acceptable to the major parliamentary factions, particularly the Christian and Shi'ite blocs. In some instances, this has rendered these institutions ineffective, since major decisions need to be agreed upon with side payments in bilateral meetings outside democratic spaces. This also trickles down to the executive power, which takes on interim status when no president has been elected, and in such cases mostly rules by decree.

Discursively, all relevant actors frequently express support for democratic institutions as being central to Lebanon's future. The election of President Aoun and his designation of Nawaf Salam as prime minister are seen by democratic reformists at all levels as a step in the right direction.

Commitment to democratic institutions

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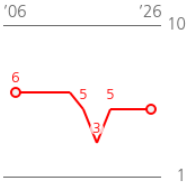

Military leaders have a history of avoiding public statements about Lebanon's political processes. This positive trend has helped the military remain a unifying institution during periods of severe social and political fragmentation. In contrast, religious figures frequently express political opinions, which is perhaps to be expected in a political system based on institutionalized confessionalism. Like politicians, these figures use democratic discourse to advance the agendas of their communities. Concerns persist regarding Hezbollah's commitment to democracy as a legitimate goal in itself. Hezbollah's late Secretary-General Hassan Nasrallah stated on several occasions that the party follows Ayatollah Khomeini's conception of the velayat-e faqih ("Guardianship of the Islamic Jurist"). This doctrine is anathema to most prevailing understandings of democracy. Furthermore, the Shi'a Duo's demand for a veto-wielding share of cabinet positions – a position rejected by Salam – suggests that democracy is supported by these parties only when it is seen as advantageous.

5 | Political and Social Integration

Political parties are both stable and rooted in Lebanese society. Both of these characteristics derive in large part from the integration of party politics into the existing system of class and patronage that coalesces around the country's "zu'ama" (leaders). These community figureheads belong to sectarian communities and have historically been the focal point of party activity. Examples include the Jumblatt family with the Progressive Socialist Party (Druze) and the Franjieh family within the Marada (Maronite Catholic) community. While parties technically cannot exclude citizens outside their central confession, they are nonetheless confessional-oriented. The largest Christian parties are the Free Patriotic Movement and the Lebanese Forces; the largest Muslim parties are the Future Movement (Sunni), Hezbollah (Shi'i) and the Amal Movement (Shi'i); and the main Druze parties are the Progressive Socialist Party and the Lebanese Democratic Party. Given the role of parties as a mechanism for distributing public goods to supporters, "wasta" (nepotism) and clientelism have played and still play very important roles in party politics.

Party system

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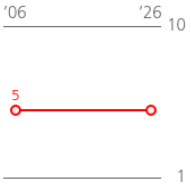
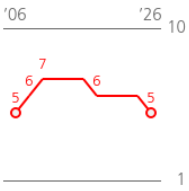


Levels of polarization remain high in the party system as political leaders across the spectrum continue to use – albeit with diminishing success – fear of the other to cultivate support. Political behaviors on the part of citizens remain identity- rather than policy-based, with sectarian apprehensions continuing to shape outlooks. Polarization therefore remains high.

However, there was cautious optimism in January 2025 with Prime Minister Nawaf Salam's first government cabinet. This optimism suggests public fatigue with the previous "business as usual" approach and indicates that many Lebanese truly believe and hope the current Aoun/Salam period represents a new phase in Lebanese political life.

Before the onset of the economic crisis in late 2019, Lebanon possessed a very broad network of cooperative associations. Many of them still operate but with limited means. These range from professional syndicates (e.g., lawyers and engineers), sporting clubs (e.g., al-Nijmeh) and village associations to environmental groups (e.g., Terre Liban). Unlike the party system, Lebanon's cooperative groups are not dominated by a small cadre of individual interests.

Interest groups



The degree of cooperation between these groups depends on the sector. In the areas of research and environmental protection, for example, cooperation is common. The ability of organizations to collaborate with political actors is complicated by funding arrangements, especially when funding comes primarily from external sources. One reason several environmental NGOs have not operated in the south to the same extent as in the center and north is the need to engage with Hezbollah in this region. This poses challenges for some members of the international donor community.

Political rhetoric and narratives are often employed in attempts to undermine many of these groups through worldwide slogans such as "agents of Soros." Furthermore, attempts have been made to infiltrate syndicates through their electoral processes, with the goal of redirecting organizational action along traditional sectarian and political divides. The Labor Union is a case in point.

In response, many newly narrowly focused syndicates are registered as civil society organizations while keeping the word "syndicate" in their titles; for example, the Alternative Journalism Syndicate. This allows for the creation of a body outside the sphere of political influence. Consequently, these organizations face strong pushback and pressure from traditional political forces.

In understanding Lebanese support for democracy during the reporting period, it is important to recognize the seismic impact of both the economic crisis (active since 2019) and the latest war between Israel and Hezbollah. Combined, both have caused as yet incalculable damage to Lebanon and its population's livelihoods. This is significant insofar as support for democracy has both ideational and material rationales.

Approval of democracy

In light of this, it is perhaps unsurprising that the Arab Barometer VIII survey (2024) found that most respondents were willing to consider alternatives to democracy if nondemocratic governments could provide for basic needs including food, electricity and health care. Less than half of those surveyed (47%) said democracy was always preferable. Furthermore, the Arab Barometer's 2024 report found decreased trust in

government, parliament and the legal system in Lebanon. Indeed, these trust levels were the lowest in all surveyed Arab states. Local government (34% trusting) and civil society (26%) also enjoy little trust from citizens, albeit more than formal institutions of state aside from the Lebanese Armed Forces (LAF), which is the most trusted institution in the country, with 85% of respondents indicating trust.

That said, there is no real debate in Lebanese public discourse about finding alternatives to a democratic model of governance. Therefore, the Arab Barometer VIII's findings should be interpreted in light of the state's failure to provide for citizens' material security. These findings illustrate that for the Lebanese, democracy is not merely about mechanisms of choice but is also intimately linked to human dignity. Lebanese support democracy because they believe it is best at providing for the basic material and ideational needs of citizens. A decrease in support for democracy, therefore, is not associated with a corresponding increase in support for nondemocratic options.

Social capital

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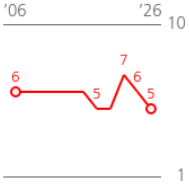

Social self-organization and the construction of social capital in Lebanon take different forms that are often contextually shaped. Strong familial, village and neighborhood networks exist, often intertwined globally with assistance from diasporic networks. In the wake of Israel's indiscriminate bombing of parts of southern Lebanon, many residents fled north and found refuge in private homes, community buildings, churches and mosques. Autonomous organizations formed to arrange for bedding, clothing donations and food provision for the hundreds of thousands of internal migrants. This ecumenical solidarity was a source of pride for many Lebanese, who saw it as a sign of unity in a time of crisis. This challenges the general applicability of the Arab Barometer VIII survey, which found that only 6% of surveyed Lebanese agreed with the statement "most people can be trusted."

Furthermore, civil society is diverse, with autonomous organizations existing in all sectors. Many of these, alongside newer citizen collectives, have taken action to support reconstruction in the absence of central government initiative. For example, once the cease-fire agreement with Israel was in effect, community groups – rather than state institutions – were ubiquitous in providing disaster relief and reconstruction assistance.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question Score

Socioeconomic barriers

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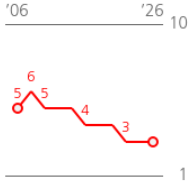

Social and economic wealth disparities have increased since the last reporting cycle. The economic crisis remains unresolved, and the ongoing costs of the war between Israel and Hezbollah exceed $8.5 billion. Assistance from the diaspora remains critical to the survival of families and to reconstruction efforts.

These realities underscore the misleading nature of some development data when considered in isolation. For example, the UNDP's latest (2022) Human Development Index (HDI) score for Lebanon is 0.723, which is considered "high" in terms of human development. Meanwhile, Lebanon's HDI ranking is 109th out of 193 countries (also 2022), placing it in the lower half of surveyed countries globally. Evidently, this does not account for events since 2022. Similarly, while the UNDP's Gender Inequality Index score of 0.365 in 2022 is an improvement from the 2021 score, it is important to note that subsequent domestic and regional developments will have had a degrading effect on actual lived realities. The World Bank's most recent Gini Index (31.8) and Poverty (0.1) scores are outdated, originating from 2011, and no data exists from the UNDP concerning the overall loss in HDI due to inequality.

In 2021, the U.N. reported that 82% of Lebanese citizens were living under conditions of multidimensional poverty. Although hyperinflation has been brought under control, the value of the Lebanese lira against the dollar remains low. For a country that relies on imports, this is a dangerous and now protracted situation. Many small and medium-sized enterprises (SMEs) struggle to acquire and pay for materials and products, from cement and copper cables to cosmetics. In light of this, remittances from the diaspora remain significant sources of income and investment for individuals, families and communities. The unevenness of these flows of foreign capital influences comparative purchasing power.

Economic indicators		2021	2022	2023	**2024**
GDP	$ M	23131.9	20992.4	20078.6	-
GDP growth	%	-7.0	-0.6	-0.8	-
Inflation (CPI)	%	154.8	171.2	221.3	**45.2**
Unemployment	%	12.7	11.6	11.5	-

Economic indicators		2021	2022	2023	2024
Foreign direct investment	% of GDP	2.6	2.5	3.3	-
Export growth	%	13.1	0.3	-1.1	-
Import growth	%	-12.2	3.5	-0.3	-
Current account balance	$ M	-4556.5	-7264.7	-5642.8	-
Public debt	% of GDP	358.2	244.6	192.8	**163.8**
External debt	$ M	66900.3	67080.1	66296.5	-
Total debt service	$ M	6085.8	3801.5	4353.8	-
Net lending/borrowing	% of GDP	0.5	-	-	-
Tax revenue	% of GDP	5.7	-	-	-
Government consumption	% of GDP	2.4	3.6	5.2	-
Public education spending	% of GDP	-	1.3	1.5	**1.2**
Public health spending	% of GDP	1.4	2.0	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	3.4	2.9	8.9	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Both Lebanon's First and Second Republics have self-identified as liberal, business-friendly, market-based economies. However, competition is controlled and subject to political interests. Further complicating matters, from 2022 to early 2025, Lebanon was governed by a caretaker government with limited capacity and enforcement mechanisms. For example, the Central Tenders Board, which is technically responsible for government procurement, is often ignored. Given the ongoing banking crisis and lack of liquidity, as well as the ongoing absence of a legalized capital control law to govern deposits, many market participants have been forced to exit, and few new investments have been made. As a result, the informal sector grew significantly.

Market organization

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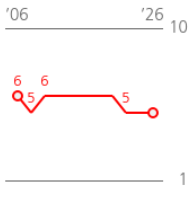

Lebanon's Ministry of Economy and Trade plays a role in setting prices for subsidized goods such as wheat and fuel. However, since the onset of the economic crisis, this has become a difficult task, especially as the local currency was dropping sharply in value. By March 2023, supermarkets had begun pricing goods in U.S. dollars.

A number of state-owned enterprises (SOEs) dominate certain sectors. These include Ogero (telecommunications), Electricité du Liban, Casino du Liban and Middle East Airlines. In early 2025, Ogero announced plans to upgrade its Wi-Fi and LTE networks, replacing infrastructure that was severely damaged in the latest war between Israel and Hezbollah.

The Lebanese Commercial Code covers most facets of the commercial environment. The legal framework for managing acquisitions and mergers is flexible, except for bank mergers, which are subject to specific sectoral rules. In general, Lebanese law makes no distinction between local and foreign investors, although there are limits on foreign investors' land purchases. Competition in the domestic real estate, media, banking and insurance sectors is controlled. No current data from the International Labour Organization (ILO) on informal employment exists, but in 2019, the informal sector accounted for 55.4% of total employment. The Lebanese pound (also known as the lira) remains in free fall, although the election of a president and prime minister has led to some stabilization.

Both President Aoun and Prime Minister Salam have made public statements emphasizing the importance of improving trust and transparency in business processes. If they succeed in increasing transparency, a more competitive environment will likely result.

Competition policy

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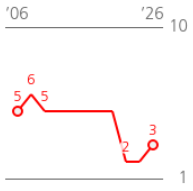

The Lebanese competition environment is underregulated, and there are very strong oligarchies and monopolies in many sectors. In March 2022, Lebanon implemented its first Competition Law (No. 281/2022). Its chief investigating body, the National Anti-Corruption Institution (NACI), has also been established. However, the governance climate over the last two years has impeded its work and outputs.

In principle, the Competition Law forbids horizontal agreements that restrict or eliminate competition in bidding processes, including collusion. Its reach extends to government procurement tenders, which means a legal framework to improve competition and transparency exists.

State-owned enterprises maintain monopolies in particular sectors, such as Ogero in telecommunications. Ogero provides the essential infrastructure for all telecom networks operating in the country. It is unclear how the NACI, once in full operation, will address this and other similar cases.

Lebanon is a member of numerous international trade bodies including the World Trade Organization (WTO), the Greater Arab Free Trade Area (GAFTA) and the Agadir Agreement. It has a strong history of liberalized trade and adheres to trade conditions and stipulations. For example, because the country is a signatory to the European Mediterranean Association Agreement and a member of the European Free Trade Association (EFTA), many products from Europe are exempt from customs fees. A similar situation exists for goods from fellow GAFTA members. The Investment Development Authority of Lebanon (IDAL) is the central authority responsible for promoting both foreign direct investment (FDI) and domestic investment. Its focus areas have been tourism, agriculture and agroindustry, and technology.

Liberalization of foreign trade

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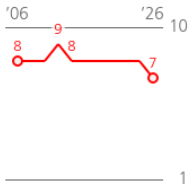

In its most recent reporting on the country (2023), the World Trade Organization (WTO) stated that the simple average most-favored nation (MFN) applied tariffs were 10.8% (total), 31.5% (agriculture) and 7.5% (non-agriculture), while the trade-weighted average tariffs were 7.2% (total), 17.0% (agriculture) and 5.3% (non-agriculture). All of these were higher than in the last reporting period.

The Lebanese Customs Authority oversees import and export rules and regulations. Many products imported into Lebanon require certificates of conformity (fresh chicken, cheese, milk), visas (baby food and baby food materials) and/or pre-authorization (sweeteners). Other items, including chemical improvers for baking such as potassium bromate or azodicarbonamide, are prohibited.

Several sectors are closed to foreign investment and ownership. According to Legislative Decree 137 of 1959, only citizens may obtain licenses for manufacturing and trading defense products. Print and broadcast media ownership laws are also theoretically limited. When a limited liability company (LLC) engages in activities that constitute exclusive commercial representation, citizens are required to hold a majority share and occupy managerial roles. For banking, insurance and cargo operations, a Lebanese-majority board is mandated if the business is structured as a joint-stock corporation (JSC).

Lebanon's banking sector is in a slow recovery mode led by the central bank, the Banque du Liban (BDL), which is itself under new leadership. Since 2023, new reforms to the BDL's operations have been enacted, such as the commitment to issue feasible annual budgets within constitutional deadlines; the elaboration of a capital control law, the commitment to restructuring the banking sector through the bank restructuring law, and the work on a new fiscal gap law.

Banking system

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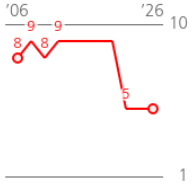


The Restructuring Law was formulated by the former government under Najib Miqati, with assistance from the Banking Control Commission and the BDL. The law's goals include: 1) protection of deposits, 2) reestablishment of financial stability and 3) rehabilitation of the banking sector.

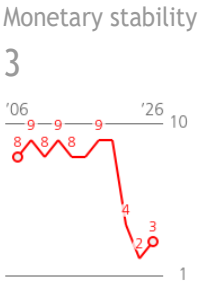
In discussions over this measure's implementation, opposition has come from the Association of Banks in Lebanon (ABL). The ABL claims that too much of the adjustment burden is being placed on the sector. Parliamentary discussions on the implementation of the law remained stalled during the reporting period (2023 – 2025). It is hoped the new Aoun/Salam administration can advance implementation.

As with other economic data, reporting from Lebanon's banking sector has been limited, so the official data is outdated. The most recent reported bank capital-to-assets ratio of 8.6 is from 2019, and the percentage of non-performing loans, at 23.8%, dates from 2020. In both cases, subsequent events have no doubt impacted their actual contemporary values. In 2024, the BDL reported that the loan dollarization ratio had surged to 90.88%. Meanwhile, ongoing contractions in deposits have resulted primarily from loan redemptions over the past four years.

In general, local banks have stopped granting new loans to both individuals and businesses. This will make reconstruction efforts more difficult. The revival of lending will depend on reforms from the state, which is now finally in a position to take on such a role. The Basel II regulation has been implemented, but Basel III remains a challenge for some banks in the current climate, especially with respect to capital ratios.

8 | Monetary and fiscal stability

Monetary stability collapsed during the economic crisis in 2019, and the path back toward stability has been slow and painful. Inflation (based on the Consumer Price Index) remains unsustainable, but is trending in the right direction. At the close of 2023, the rate was 221.3%, but by the end of 2024 it had exited the stratospheric realm of hyperinflation, falling to 45%. The World Bank has not reported on the real effective exchange rate for more than a decade. For the majority of the review period, the political tussle between the former governor of the central bank and some politicians, which included judicial proceedings, meant that the BDL's recovery policies were largely limited to the injection and absorption of U.S. dollars to help stabilize the currency value. However, the Lebanese pound has lost more than 98% of its value since 2019. There are signs of recovery, however. The central bank has discontinued its use of the Sayrafa platform, replacing it with an auction mechanism on the International Provider Platform. This platform will help determine the real value of the LBP against the U.S. dollar. In effect, the parallel LBP-USD market that has caused such substantial fluctuations since 2019 will be replaced. In 2024, the exchange rate was reported at 89,700 LBP per U.S. dollar. These are all signs that the central bank's new management is taking necessary steps to fix structural faults.



Lebanon's fiscal situation remains fragile, and some formal data is outdated. Nevertheless, the figures suggest substantial structural issues must be resolved if sustainable improvement is to materialize. In 2023 the current account showed a deficit of $5.6 billion, and public debt amounted to almost 200% of GDP, at 195.2%. The country's external debt of $67.1 billion remains high given immediate potential government revenues, with total debt service in 2022 reaching $4.27 billion. Net lending had improved slightly at the beginning of the decade, however. The most recent data from 2021 records that lending reached 0.5% of GDP, up from -3.6% in 2020 and -11.1% in 2019. Government consumption meanwhile amounted to 3.6% of GDP in 2022, and total reserves reached $15.79 billion.

Fiscal stability

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Successive governments have been unwilling to adopt the measures necessary for sustainable debt relief, restructuring and fiscal consolidation. In this context, the lack of progress in implementing the conditions included in the country's staff-level agreement with the IMF is telling.

9 | Private Property

Private property rights are protected under established frameworks, beginning with the constitution that guarantees "individual initiative and private ownership." Several institutions regulate private property, including the General Directorate of Land Registration and Cadaster (GDLRC), the Directorate of Geographic Affairs of the Lebanese Army (GAD), the Directorate-General of Urbanism (DGU), the Directorate-General of Administrations and Local Councils (DGALC), real estate tribunals (RET), and the State Shura Council (SSC). However, these institutions need reform and streamlining in order to improve their services. For example, despite possessing a well-maintained digital register, the GDLRC is inefficient with regard to sharing digitalized geospatial data, coverage records, state land inventories and property valuation information.

Property rights

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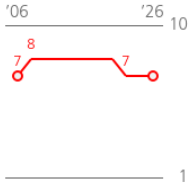

Corruption and the weak rule of law are also concerns, as they serve to blur the line between public and private property, thus undermining confidence. This issue is particularly acute in relation to customary tenure rights and informal (individual or collective) settlements. Neither is registered in the existing land registry, meaning that users of land under these agreements do not have access to formal security of tenure.

Private companies are permitted and protected. A flourishing private sector has been part of Lebanon's national narrative since its founding. The services and banking sectors contribute close to 70% of the republic's GDP, with industry including manufacturing and agriculture making up the remaining 30%.

Private enterprise

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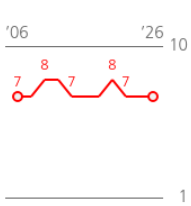
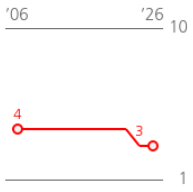


Informality and political expediency have been known to limit protections. An infamous illustration is that, in the early phase of the current economic crisis, banks introduced illegal controls on private and business account withdrawals. No bank has yet been punished.

No substantial changes to privatization have been made since the last reporting period. However, it is likely to be on the agenda for the current government as a capital-raising initiative. Ogero and the Beirut port could be considered for privatization, but any move in that direction will be contentious. In February 2022, the French-Lebanese company CMA CGM was awarded management, operation and maintenance rights to Beirut port's container terminal for ten years. The tender process was not transparent, raising concerns that if the government moves to privatize the wider port, a similar level of opacity will apply. At a minimum, greater transparency procedures will be needed to build public trust.

10 | Welfare Regime

Social safety nets

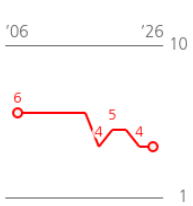


Social safety nets, whether public or private, have been decimated in the last two years due to a combination of fiscal crisis, wartime destruction and "caretaker" government shutdowns. Lebanon's welfare system centers on the National Social Security Fund, which remains underfunded and under-implemented. Lebanon's first social safety net program to aid individuals living in poverty, the National Poverty Targeting Program (NPTP), still operates with and relies on external funding. Private insurance has become too expensive for most citizens, and much of the heavy lifting in terms of care and support is undertaken by families and community organizations. As a consequence of the dollarization of the economy and the scarcity of U.S. dollars, public health institutions can no longer bear the burden of covering civil servants' pensions and health care.

The compounded crisis has also led to a brain drain of top medical doctors and nurses, leaving the sector struggling to find personnel to fill the gap. The remaining private health insurers are requesting premiums in U.S. dollars, which are not accessible to most Lebanese citizens.

Life expectancy at birth decreased from 75 years in 2021 to 74.4 years in 2022. This likely reflects the catastrophic combination of a fiscal economic crisis and the most profound geopolitical shifts in the region in several decades. Additionally, the decrease in life expectancy has coincided with reductions in public health expenditure, which declined from 3.4% of GDP in 2020 to 2.9% in 2021. Official data is outdated and, significantly, does not account for the fact that for the past two years Lebanon has been governed in "caretaker" mode and therefore has been operating with reduced functions.

Equal opportunity



There are three linguistic education systems in Lebanon for primary and secondary education, respectively operating in Arabic, French and English. The domestic public system is conducted in Arabic, while a number of private providers offer education in French and/or English. The World Bank's most recent data on literacy in the country, which comes from 2018 and is thus outdated, indicates an overall literacy rate of 93%, with respective rates of 95% and 90% among men and women. Ongoing financial and geopolitical circumstances will negatively impact child literacy due to

disruptions to school routines and the destruction of physical learning spaces. Gross enrollment rates are 79.8% at the primary education level, 64.7% at the secondary level and 60.2% at the tertiary level, as listed in the World Bank's World Development Indicators 2024.

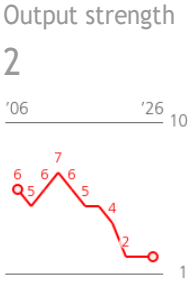
In terms of access to education, women, different ethnic groups and members of different religious groups theoretically have equal opportunities, thanks to the provision of public schools and societal values that prioritize education. However, there is limited up-to-date official data on enrollment. The World Bank, for example, reports no data on the male-to-male enrollment ratio (GPI) at the primary or secondary levels. At the tertiary level, however, the World Bank reports a ratio of 1.2 in 2023, indicating that more female than male citizens are enrolled in university and college courses. However, this advantage disappears in the labor market, with women making up 31.8% of the total active workforce in 2023. This is an increase from the 24.5% recorded in 2021, and is impressive given the challenges Lebanon currently faces.

Noncitizens face discrimination. This is particularly true of refugees both of Palestinian and Syrian origin. One study in 2023 showed that only 11% of noncitizen children were able to access free public education. Class is therefore especially important within both groups, as those with more means and social capital can overcome some restrictions and government negligence to receive a good quality education at all levels. Palestinians residing in the refugee camps rely on the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and donor agencies to provide funding for education. Paradoxically, while they are required to learn the Lebanese curriculum, they have no right to access professional jobs outside the camps.

Access to public office is not equal due to various factors including class, gender and sectarian affiliation. A record eight women were elected to parliament in 2022, but they remain a small minority in the 128-seat chamber. No party has the establishment of a 50-50 quota policy on its agenda, so closing this gap will be difficult. Many state institutions including parliament are not accessible to people with disabilities. Their ability to attain public office is similarly limited.

11 | Economic Performance

Lebanon's economic output declined substantially during the caretaker period. The election of President Aoun and the appointment of Salam's first cabinet offer a new opportunity to begin turning productivity around. GDP per capita (PPP) was last recorded at $12,853 in 2022, still considerably below the pre-crisis level of $22,108 in 2018. By the end of 2024, this had fallen further to around $11,023. After three consecutive years of hyperinflation, including rates of 221.3% (2023), 171.2% (2022) and 154.8% (2021), the inflation rate had moderated but was still high at 45% at the end of 2024. However, this decline does signal a return toward stability, and the rate



should continue to fall over the course of 2025 now that the new government under Prime Minister Nawaf Salam has begun its work. The last recorded unemployment-rate figure, from 2023, was 11.6%. This does not come close to the reality on the ground. In November 2024, former caretaker Economy Minister Amin Salam said in an interview that the true unemployment rate was in excess of 50%. Part of the reason for this high figure is that even before the onset of the economic crisis in 2019, the informal sector constituted a large portion of the domestic economy. It therefore played a large role in the employment and job creation that has been devastated by the subsequent crises.

It has been several years since the Lebanese government has reported on foreign direct investment (FDI). This is not surprising, given that the former government led by Najib Miqati was in caretaker mode for the last two years of its existence. Nevertheless, the latest data from the World Bank estimated an FDI inflow amounting to 2.5% of GDP in 2022. Lebanon's current account balance has not been updated for several years. The World Bank's most recent updates place the figure at a deficit of $5.6 billion in 2023. Similarly, no current data on gross capital formation exists; its last annual value was 1.2% of GDP in 2022. Likewise, the per capita GDP growth rate was last assessed at 1.2% in 2022.

12 | Sustainability

Environmental policy

2

Lebanon is not known for its focus on environmental protection or sustainability, despite these fields' significance to national identity and tourism, among other sectors. Although there were few substantial changes to this situation during the reporting period, several consequential laws and regulations were approved, altering the framework for environmental protections.

To begin with, Lebanon revised its nationally determined contributions (NDC) for emissions reduction in 2021. With help from the UNDP's Climate Promise initiative, Lebanon committed to a reduction in greenhouse gas emissions by 20% by 2030, while also pledging to derive 18% of its electricity consumption and 11% of its heating needs from renewable sources. The previous government had committed to sourcing 30% of its national energy consumption from renewables by 2030 at COP27. Unfortunately, the war between Israel and Hezbollah effectively impeded progress on these pledges.

In 2020, Lebanon released its National Agriculture Strategy (2020 – 2025). This document's fourth pillar – "Improving Climate Change Adaptation and Sustainable Management of Agrifood Systems and Natural Resources" – calls for increased climate change adaptation across the sector, including the promotion of a more sustainable use of natural resources.

These laws build on the National Strategy for Air Quality Management in Lebanon (2017) and the Environment Protection Law (No. 444 of 2002), creating a framework for action. The current government needs to make implementation a priority,

especially in light of the World Bank's 2024 Country Climate and Development Report (CCDR) for Lebanon. The report notes that Lebanon trails only Yemen in the region with regard to its lack of preparedness to face climate change. Further afield, it is ranked 161th out of 192 countries globally with regard climate change readiness.

That report and others published by local stakeholders point to Lebanon's limited adaptation capacity as central to the problem. Therefore, more than just technical improvements will be needed to make environmental considerations an integral part of policymaking. A comprehensive renovation of Lebanon's institutional frameworks – which have allowed decision-makers from the municipal level upward to prioritize private gain over environmental welfare for decades – will be required. Any such renovation must include improved governance and oversight, as well as targeted and enforced legal reforms incentivizing compliance.

Education policy / R&D

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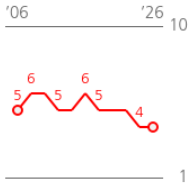


Lebanon was once renowned for its regionally outstanding high-quality education system, but both education and research and development have suffered due to political expediency and geopolitical realities. The World Bank has not published data on R&D expenditure as a percentage of government spending since before 2010. However, in 2022, some other agencies reported that this had fallen to 0.5% of GDP.

In July 2024, Lebanon signed an updated agreement with the European Commission's Directorate-General for Research and Innovation to remain part of the Partnership for Research and Innovation in the Mediterranean Area (PRIMA) program for the period from 2025 to 2027. This builds on the Mediterranean Initiative pursued under the Horizon Europe Work Programme (2023 – 2024), which focused on research and innovation cooperation by Lebanese researchers and institutions in the climate change, renewable energy and health sectors. The agreement signals that public sector leaders and policymakers are aware of the need for Lebanon to recapture its lost dynamism and engage more effectively in R&D as a means of addressing many of the country's policy challenges. Collaborations between universities and local NGOs have produced fruitful outcomes, including the development of seedlings with improved hardiness that have boosted reforestation efforts country-wide.

Nevertheless, Lebanon's score of 0.623 on the U.N. Education Index has remained unchanged since 2018. Public expenditure on education has decreased from 2.6% of GDP in 2019 to 1.7% in 2020. The literacy rate remained high in 2018, at 93%. However, some observers worry that if Lebanon has difficulty replacing the infrastructure and education routines destroyed by the recent war between Israel and Hezbollah, literacy rates and the overall quality of education will decline.

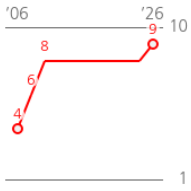
The education system from primary school onward is divided between public and private providers. About 36% of students are enrolled in public schools, while the remaining 64% attend private schools. Some private schools use languages other than Arabic as the primary language of instruction. French is used in 43% of schools (primary to secondary), English in 34% and both languages in 23%.

Governance

I. Level of Difficulty

Structural constraints

9



Lebanon's structural constraints can be grouped into two categories: immediate and enduring. Often, the two complement or reinforce each other, making it challenging to address them holistically. Immediate constraints include severe infrastructural deficiencies and associated reform and reconstruction costs. These deficiencies resulted from the civil war (1975 – 1990) and Israel's occupation of southern Lebanon (which lasted until 2000), and were further exacerbated by the war between Hezbollah and Israel (2006), the assassination of Rafiq al-Hariri (2005), internecine conflict between the state and Hezbollah (2008), the Beirut port explosion (2020), and the most recent war between Hezbollah and Israel (2023 – 2024). These have all contributed to a growing "brain drain" as thousands of citizens have emigrated abroad since 2019.

Enduring structural constraints include the political system that has kept the kleptocratic political class in power since the end of the civil war. Lebanon's woes are overwhelmingly the result of political decision-making. Geographically, as a small country of 10,452 square kilometers with distinct and sometimes difficult geological formations, Lebanon does not have the capacity to develop a large export-quality industrial base. The prospective Karish and Qana gas fields off Lebanon's south coast have not yet proven to be gamechangers as gas resources. It remains to be seen what the new government can make of this resource. Lebanon has therefore historically relied on trade, finance and the support of its diaspora community. Geography is no death sentence; however, with evidence-based planning, imagination and leadership, Lebanon could overcome these limitations.

Another enduring constraint is the geopolitical neighborhood. Both Israel and Syria have intervened in Lebanon with disastrous consequences. Since 2011, the Syrian civil war has also strained trade routes and created more smuggling passages and flows of illicit goods shepherded by drug cartels. The change of regime in Syria in December 2024 offers the first real opportunity to reset this interstate relationship based on equally beneficial bilateral agreements and the provision of border security for both countries. For its part, Israel continues to occupy Lebanese territory that must be returned before any normalization can enter the conversation. This remains unlikely.

For these reasons, climate action and greater environmental sustainability have not been priorities for governments until very recently. The environment minister in both the Diab (2020 – 2021) and Miqati (2021 – 2024) governments was active in advancing the portfolio despite severe restraints. CSOs have taken initiative in a range of portfolios from wildfire management strategy design and communication in municipalities to reforestation.

Civil society traditions

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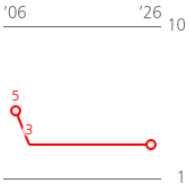

Lebanon has a long history of civil society organizations (CSOs) and traditions dating back to before independence. Their development was significantly influenced by the civil war and the postwar sociopolitical order, which laid the foundation for present sectarian realities. Although the environment in postwar Lebanon was in many respects damaging, it also provided CSOs with regionally rare opportunities for dynamism, diversity and autonomy. However, CSOs have struggled to build social capital independent of political parties and existing political dynamics. Movements such as “You Stink” in 2015 and “October 17” in 2019 demonstrated an inability to devise clear economic, social or political programs, and have been unable to capitalize on support to effect change. An exception could be made for the 13 Change Bloc lawmakers elected in 2022, whose electoral victories followed civil society agitation. Political parties, regardless of confessional affiliation, have deployed state resources to break up demonstrations and manipulate civil society’s field of play. By providing tactical support, they have also altered the trajectories of the movements themselves.

Unsurprisingly, levels of social trust have trended downward. The Arab Barometer VIII reported in 2024 that 76% of Lebanese respondents said they had no trust at all in their government, while only 13% said they trusted the legal system, 9% said they trusted parliament and 8% said they trusted the prime minister (at the time, Najib Miqati). CSOs fared little better, with only 26% of respondents reporting that they trusted civil society. This notwithstanding, CSOs remain crucial actors in achieving outcomes beneficial to the Lebanese people. Two issues stand out during the reporting period: the Beirut port explosion investigation and the advocacy on behalf of local-bank depositors. Both situations remain unresolved. Yet the fact that the new government has publicly identified these issues as necessitating support and resolution is due in no small part to civil society actors’ persistent advocacy.

Conflict intensity

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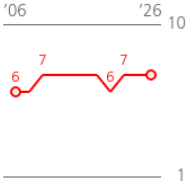

Lebanon has been highly vulnerable to intense conflicts at various points in its history. Numerous actors have engaged in violence in pursuit of private ends, both in the civil war (1975 – 1990) and in sporadic episodes of violence since then involving non-state actors ranging from Hezbollah to local gangs, cartels and clans. In January and February 2024, for example, violence intensified along the porous border with Syria as the Lebanese and Syrian armies worked to tighten border security. The political system has been polarized along confessional and class lines since the end of the civil war, and political elites have been adept at exploiting these tensions for private gain. However, episodes of violence were rare during the reporting period,

especially in the presence of foreign aggression (in this case from Israel), and the Lebanese people displayed a high degree of intersectarian solidarity and support. This was especially evident in the temporary internal migration from southern Lebanon of hundreds of thousands of citizens, mostly Shi'a, in the wake of Israel's invasion.

II. Governance Performance

14 | Steering Capability

Question Score

Prioritization

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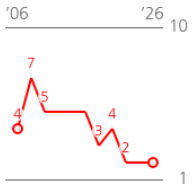

The search for "national consensus" reduces government capacity to prioritize because all policy areas are subject to reprioritization. Governments are appointed, not elected, and so cannot easily claim to possess a mandate. Consequently, while governments offer signs of prioritization, including budgets and work according to the ministerial statement (the government's policy program), cabinets are hamstrung by veto actors claiming to safeguard national consensus. This has been especially acute since Hezbollah began participating in government in 2005. The composition of successive cabinets has therefore owed more to efforts to balance party and confessional influence than to merit. Under such conditions, the prioritization of national issues suffers. There are high hopes that current Prime Minister Nawaf Salam can avoid this trap and usher in a new period of government action and prioritization.

This general characterization does not mean there is no prioritization. Despite challenges, the previous government under Najib Miqati did maintain the implementation of Lebanon's Five-Point Strategic Plan (2023 – 2025) with help from the World Food Programme (WFP). The plan has the following targeted outcomes: 1) meeting the basic needs of economically vulnerable and food-insecure people in the country regardless of citizenship status; 2) improving the resilience of the extreme poor and vulnerable via their inclusion in national social safety nets; 3) promoting the resilience of individual, household and community livelihoods so as to reduce vulnerability to climatic and economic shocks; 4) increasing state institutions' capacity to manage and enhance social safety nets and associated programs; 5) improving coordination of mandated service provision to assist humanitarian stakeholders delivering assistance in response to crises.

Although reporting on the Five-Point program's implementation has been minimal since the outbreak of hostilities, its budget was reviewed in 2024, and its strategic priorities were amended to take into account the new realities created by the war between Hezbollah and Israel.

As in the case of prioritization, implementation is subject to change based on the shifting priorities and compromises among political factions. Until the election of President Joseph Aoun and his appointment of Nawaf Salam as premier, Lebanon had been governed by a caretaker government led by Najib Miqati since the presidential vacuum began in October 2022. Meanwhile, the parliament's role has also been limited because Article 75 of the Lebanese constitution stipulates that parliament cannot legislate while in an electoral session, except under exceptional circumstances. Over the past two years, Speaker Nabih Berri formulated a constitutional pathway for legislation on two separate occasions, utilizing this exceptional provision. However, the legality of his action remains contested by many constitutional lawyers. The constitution states that if the president's office is unfilled, government functions are to be reduced to a minimum. The priority under such circumstances is to keep the country afloat until the creation of a new government after the presidential elections.

Implementation

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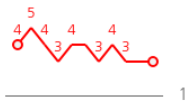

Unsurprisingly, many of the objectives outlined in Miqati's ministerial statement remained unfulfilled, particularly the structural reforms demanded by the IMF in return for a bailout needed to jump-start Lebanon's economic recovery. Additionally, reconstruction activities at Beirut's port did not commence during the reporting period, and no energy sector reforms were implemented.

By May 2024, around 709,100 Syrian refugees and more than 627,600 Lebanese citizens were able to meet essential and other basic needs with assistance from WFP-backed Five-Point Strategic Plan. However, because of funding reductions from November 2023 on, the program has reduced its scope by up to 39% from its original targets. The Lebanese government has not found alternative funding arrangements.

In light of the previous points on prioritization and implementation, policy learning – especially with regard to deep structural reforms – cannot be said to have occurred during the review period. Many of Lebanon's biggest strategic challenges have existed at least since the end of the civil war. These include an unresponsive, poorly planned sanitation and garbage collection system; an absence of environmental prioritization other than individual cases such as the Shouf Biosphere; a poorly functioning, expensive energy sector; and an ailing infrastructure grid. Each of these has been a discussion point on government agendas for decades, yet has seen little improvement. Indeed, the problems have become more pronounced, in many cases due to the effects of war. Evaluation and reporting regularly occur in large part due to international pressure, as external funding mechanisms frequently require a minimum of reporting on implementation. The Ministry of Education's decision in 2022 to start regularly publicizing statistics on enrollments and internal budgets is an illustration of this. This improvement in transparency was due primarily to pressure from civil society and international donors.

Policy learning

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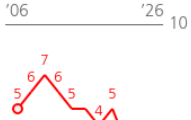

15 | Resource Efficiency

Efficient use of assets

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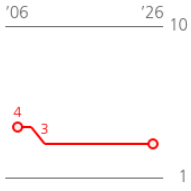

Lebanon is a highly centralized polity in practice, with budgetary control residing in Beirut. However, resource efficiency is not a strength in the republic. On paper, municipalities have some autonomous powers to determine their own priorities and allocations, but all funding comes from Beirut. This makes municipalities vulnerable to the central government.

In Lebanon's post-civil-war public administration, competition between sects – or rather the political parties and factions that claim to represent them – has been more important than merit-based recruitment. As a result, recruitment processes are either not transparent or are conducted in a cynically obvious way. Public administration and its outputs are therefore politicized in a way that negatively affects performance. President Aoun's acceptance address noted the importance of transparency and administrative reform to build citizen trust. Greater transparency in recruitment will help lessen the worst excesses of the sectarian system, in which public portfolios have been used to provide private services including employment.

Budget resources are not used effectively or prudently. This was evident in the quality of debate that occurred before parliament approved the 2024 budget. The final product was, as Sami Zoughaib of The Policy Initiative noted, a fine example of "Lebanese economic alchemy" that did not acknowledge the severe realities facing the state. For example, the budget had a deficit of 0% (expenditures equal to revenues). Parliamentarian Mark Daou explained that the use of various exchange rates meant "the government could technically have a surplus in Lebanese pounds in 2024, but that doesn't mean they will have enough money to spend in actual dollars." As noted in this report, the inflation rate is falling but remains too high for a country in reconstruction mode. The budget itself is not genuinely balanced and shows few signs of approaching a surplus in real terms.

Furthermore, there has been little recognition of the necessity for Lebanon to address its 2020 eurobond default. As Fitch reported in 2023, the country remains in restricted default on its foreign-currency debt. This continues to have a negative impact on its credit rating and therefore its ability to borrow in the future.

Policy coordination

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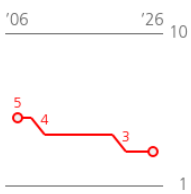

There was little effective policy coordination during the review period. Once again, the search for "national consensus" resulted in paralysis that undermined the capacity for policy coherence and cross-ministerial cooperation. This was evident in the case of electricity provision in Lebanon, where political deadlock obstructed any coherent policy in support of consistent fuel supply, leading to a reduction in electricity services to only one or two hours per day. Additionally, parliament and the government were unable to agree on a capital control policy that would protect depositors' funds. As a result, capital control measures continued informally based on central bank decrees. The situation was compounded by the presidential vacuum and the war between Israel and Hezbollah.

In the name of consensus, strategically important ministries have become the de facto possessions of particular political parties and individuals who are not accountable. The Free Patriotic Movement's control of the Energy Ministry from 2008 to 2024 is one such example. The Amal Movement's claim to the Finance Ministry in negotiations with Nawaf Salam over his cabinet's composition is another.

Corruption is not effectively restrained in Lebanon. The nature of consociationalism, combined with the Syrian presence and influence between 1978 and 2005, has compounded poor decision-making and the prioritizations of successive post-civil-war governments to produce an environment in which corrupt practices have thrived. Mechanisms to fight corruption historically focused only on electoral campaigns, but even these lacked effective implementation. The absence of serious anti-corruption policy arguably culminated in the 2019 economic crisis. This crisis, described by the World Bank as one of the worst in 150 years, saw the Lebanese pound lose 98% of its exchange value.

Anti-corruption policy

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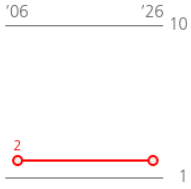

Demonstrating the extent to which corruption infiltrates institutions, in 2020 United for Lebanon, an association of lawyers, sued central bank Governor Riad Salamé and Antoun Sehnaoui, chief executive of the Société Générale Bank of Lebanon (SGBL), for "money-laundering crimes resulting from currency trading operations."

In 2022, Lebanon reached a staff-level agreement (SLA) with the International Monetary Fund (IMF) that would unlock access to close to $3 billion over four years, conditional on policymakers enacting a package of financial, fiscal and transparency reforms. However, in 2024, Lebanon had moved no closer to undertaking the required reforms, leading the Policy Initiative, a local think tank, to assert that the "ruling elites had effectively sabotaged the IMF negotiation process."

The first national anti-corruption law (No.175/2020) was passed in April 2020. Two years later, its chief operating institution, the National Anti-Corruption Institution (NACI), was established with its first six members appointed by the Council of Ministers. The NACI cannot be dismissed, and its members possess substantial powers to oversee and implement anti-corruption operations. It has four main prerogatives, meaning that it can 1) receive complaints and ensure their secrecy; 2) inquire into and investigate received complaints, including the power to lift bank secrecy; 3) receive and scrutinize assets and declarations of interests handed over by public sector employees and politicians; 4) raise awareness about corruption and make recommendations to government.

This is somewhat impressive given that the presidential vacuum and associated political deadlock, followed by the 2024 war with Israel, have meant no real reforms or efforts to halt corruption have been possible. However, this infrastructure is now being put in place, and if the Salam government can empower the institution, it may serve as an important confidence-building mechanism for citizens.

16 | Consensus-Building

Consensus on goals

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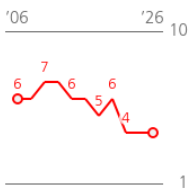

The major Lebanese political actors agree on the importance of maintaining their own power and privileges. Discursively, there is consensus on the value of democracy and a market-based economy, but there was little effort to advance either during the reporting period. There were no substantial reforms to the political system. The Taif Agreement's agenda for reform remains unimplemented. Lebanon is thus no closer to having a bicameral parliament or an election law in which parliamentary seats are not divided according to confessional affiliation. The Change Bloc of 13 lawmakers elected in 2022 had good intentions with regard to engaging in reform from within the existing parliamentary system. However, given their inexperience, it is unsurprising that the group splintered even while remaining nominally ideologically aligned in the direction of further democratization.With parliamentary elections next scheduled for 2026, it will be important to see how the major parties, both those aligned with the government and those not, perform. This will provide a significant indication of the state of democratization, and show whether the hopes for a new era are being fulfilled.

Although Lebanon's macroeconomic indicators improved somewhat under caretaker Prime Minister Miqati's government, the discourse of market reform is more prominent than substantive action. Employment creation is weak, and the improvements that did occur were mostly the result of access to international assistance rather than being due to market-based economic structural reforms. Lebanon's economic model remains closer to crony capitalism and network-oriented rent-seeking than to a liberal market.

Anti-democratic actors

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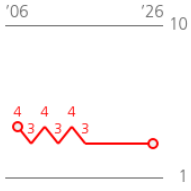

To date, Lebanese reformers have been unable to exclude or co-opt anti-democratic actors in the political sphere. Established veto powers and the state's inability to monopolize the means of coercion in the face of non-state actors, including Hezbollah, have made it difficult for democratic reformers to serve as substantive change agents. The 13 "Change" parliamentarians elected in 2022 illustrate this. In an effort to demonstrate that a new way of politics is possible, they have refused to ally with established parties. With parliament failing to undertake its constitutional duty to elect a new president after Michel Aoun left office in October 2022, lawmakers Melhem Khalaf and Najat Saliba initiated a 24-hour sit-in in parliament in January 2023 to protest the body's refusal to meet to elect a successor until a quorum was achieved. In hindsight, the Change Bloc has had some symbolic success with regard to demonstrating the power of a new type of politician. The integrity and comportment of its members remain unquestioned, and this may prove critical in influencing institutional change.

Hezbollah has emerged from its latest war with Israel in a very weak state. Its infrastructure has been destroyed and its top leadership decimated. Furthermore, its standing in Lebanese society, including among its Shi'a constituencies, is at its lowest

in decades. This reality, combined with strong leadership from President Aoun and Prime Minister Salam, may finally afford the Lebanese state an opportunity to alter its subservient relationship to the party, especially in its role as a military force. The old slogan of consensus – "the army, the people and the resistance" – holds less sway in 2025 than was true in 2024.

Cleavage / conflict management

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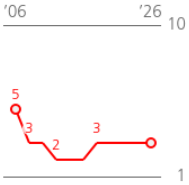

Political leadership in the postwar period relied on long-standing divisions in Lebanese society to maintain the privileges and power of the elite (zu'ama) and established political figures. In this sense, the political leadership has perpetuated cleavages rather than seeking consensus. In the most recent parliamentary elections (2022), new independent candidates broke through this system with an opposition bloc narrative based on consensus among otherwise divided groups. There are numerous cleavages, including divisions between classes, confessions and clans – particularly pronounced in the Beqaa region, where clans have competed over smuggling routes – as well within confessions. Each of these divisions is multifaceted, and rarely does a single factor operate alone. For instance, episodes of interclan violence intersect with class and local economic issues associated with access to and control of smuggling routes into Syria. Since January 2025, the Lebanese and Syrian armies have actively sought to curtail use of these routes on their respective sides of the border. Some violence has flared in the northeast around the village of Qasr.

Sectarian cleavages remain prominent in Lebanon, especially during elections and periods of government formation during which hard-line speeches on ethnic representation remain the norm. As a result, there have been continuous divisions between Sunnis and Alawites in Tripoli, with minor clashes continuing since major clashes ended in 2014. Nevertheless, despite the absence of major violence between ethnic communities during the review period (excluding, of course, the Hezbollah-Israel war), divisions remain significant.

Public consultation

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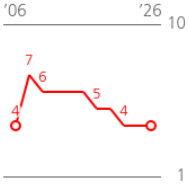

The steady decrease in citizens' trust in the institutions of the Lebanese state – with the exception of the army – is evidence of the dearth of real consultation between decision-makers and citizens. In light of Lebanon's diverse civil society sector and the relative freedom with which organizations can operate, there is potential, but this has not been utilized. To date, religious organizations, including the Waqf and Maronite churches, have had some success in influencing decision-making on an issue-by-issue basis. Exceptionally, environmental policy and conservation outcomes have long resulted from local community organizing and agitation. Conservation of the Eurasian otter, for example, was overseen entirely by NGOs. Lebanese Wildlife and the Lebanon Reforestation Initiative managed the process from fieldwork through to the development of draft protections.

On the downside, the government consults extensively on economic policy matters with the banking sector and trade associations. In principle this is welcome, but during the economic crisis resulted in the prioritization of loss reductions for businesses and banks.

Reconciliation

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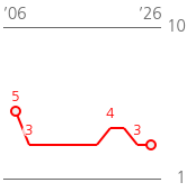

The current generation of political leadership, which emerged during the last years of the civil war, does not have a strong record with regard to reconciliation. In part, this is because the wounds of the civil war have still not been adequately addressed. The war's end was not accompanied by a formal reconciliation process. Instead, a general amnesty was ordered and several figures active in the war became members of the political class. Only Lebanese Forces leader Samir Geagea has been convicted and jailed for crimes committed during the war. While there has been some reconciliation between the Christian and Druze political parties, this has not been the case among others. However, perhaps most alarming are the cleavages between the Sunnis and the Shi'ites that began in 2005 after the assassination of former Prime Minister Rafiq al-Hariri, the subsequent verdict from the Special Tribunal for Lebanon (STL) and the 2008 clashes. There has not been any process of reconciliation in this regard.

Other than that, the pursuit of truth and reconciliation has been regularly suspended. This occurred with the investigation into the assassination of Rafiq al-Hariri in 2005, in which the work of the Special Tribunal was frequently stymied. There have been fears that the investigation into the August 4, 2020, Beirut port explosion would follow a similar route. However, in January 2025, presiding judge Tareq Bitar announced that he was continuing the case after suspending it for 13 months. This has brought hope to the many victims and their families that justice – and with it, reconciliation – might prevail.

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Effective use of support

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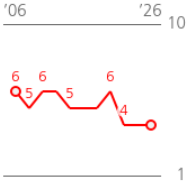

There are several economic development plans for Lebanon, including the Five-Point Strategic Plan (2023 – 2025) being pursued with WFP support and a reform plan agreed with the IMF. The priorities of the government formed in 2025 include economic recovery and reconstruction from the devastating war. International support will be vital as Lebanon enters a period of post-conflict reconstruction and economic stabilization. In 2023 and 2024, ministries have already implemented measures developed with international assistance, albeit slowly. The Ministry of Finance, for example, adjusted the customs dollar to the market exchange rate and, in tandem with the central bank, increased Lebanon's foreign reserves. Yet the glacial speed of implementation, even taking into account the caretaker status of the administration in power during the period from 2022 to 2024 period, is a sign of unwillingness to fully utilize international cooperation. For example, despite the availability of assistance, neither parliament nor the government has agreed on an

implementation strategy to solve the banking crisis. Banks cannot provide credit to the economy at a time when access to capital is crucial and deposits remain frozen. It is worth noting that between 2022 and 2023, a narrative opposing IMF conditionalities was also on the rise, but was soon dismissed.

The World Bank's Country Climate and Development Report (CCDR) for Lebanon estimates that Lebanon will need to invest approximately $7.6 billion between 2024 and 2030 to make its energy, water, transport and sanitation sectors sufficiently responsive to the effects of climate change. Achieving this will be impossible without international cooperation, knowledge transfer and finance.

Lebanon's credibility has suffered in recent years, and the international community is frustrated with the political class for its evident lack of will to effect systemic change in the country. This is not to say there is no credibility. Lebanon, despite its domestic challenges, has historically been active in the international sphere, and remains so. For example, Lebanon has remained committed to its cease-fire with Israel that began on November 27, 2024, despite numerous transgressions by Israel.

The republic is a signatory to a number of significant human rights covenants, including the International Convention on the Elimination of All Forms of Racial Discrimination (CERD), the International Covenant on Economic, Social and Cultural Rights (CESCR), the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), the Optional Protocol of the Convention Against Torture (CAT-OP) and the Convention on the Rights of the Child (CRC). Yet the country's compliance with the spirit and letter of these covenants is limited, especially regarding personal status and the employment rights accorded to Palestinian and Syrian refugees.

The international community remains frustrated with Lebanon's inability to finalize its Special Tribunal and rein in corruption. Regarding the former issue, Lebanon has not arrested perpetrators in fulfillment of the verdict of the Special Tribunal for Lebanon (STL) due to domestic pressure from Hezbollah. Concerning corruption, donors have recently avoided transferring funds to state institutions and instead have used civil society organizations to funnel support to projects. This reality reflects the Lebanese state's level of credibility in the eyes of international partners.

With the European Union, Lebanon is an active member of the Southern Neighborhood Partnership, has been a signatory to the EU-Lebanon Association Agreement since 2006 and is currently implementing its Multiannual Indicative Program (MIP; 2021 – 2027) with the European Union. The ongoing redevelopment of the Lebanese Armed Forces (LAF) is reliant on international assistance and cooperation, particularly from the United States. Since 2006, the U.S.-LAF partnership has contributed more than $3 billion toward capacity-building investments.

Regional cooperation

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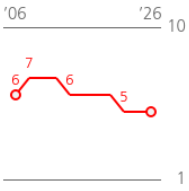

Lebanon is an active and historically significant member of the Arab world. It is a founding member of both the United Nations and the League of Arab States (LAS), and belongs to the Greater Arab Free Trade Area (GAFTA). Some of Lebanon's historical relations with its regional neighbors have been characterized by conflict, particularly in the case of Syria and Israel, both of which have occupied all or parts of Lebanon at different times. In addition to occupying Lebanon between 1978 and 2005, Syria has influenced Lebanese politics through its support for Hezbollah.

During the review period, the Gulf states continued their economic and political isolation of Lebanon, limiting flows of development assistance and investment into the country. The reasons were twofold: First, the inability of Lebanese institutions to control illicit flows of weapons and drugs, especially Captagon, to Gulf markets; and second, the effective surrender of Lebanon to Iranian influence. Hezbollah's late secretary-general, its lawmakers and its ministers have all publicly rhetorically attacked neighboring countries.

Hezbollah's decimation by Israel in the latest war between the two has significantly weakened the party. Furthermore, with new administrations emerging in both Beirut and Damascus, Lebanon and Syria have an opportunity that is unprecedented in this century to reset their relationship and usher in a new era of cooperation. Signs of this are already emerging. The LAF and the Syrian military have shared intelligence in efforts to combat smuggling and drug cartels on either side of their border. With the fall of the Assad regime in Syria, the road from Damascus to Lebanon is no longer open to Iranian and Hezbollah agents. Rebuilding the relationship between Syria and Lebanon may profoundly reshape Lebanon.

Strategic Outlook

The election of Joseph Aoun to the presidency and the formation of a new government under Prime Minister Nawaf Salam formally ended the executive and governmental vacuum that had plagued Lebanon for two years. There is genuine hope that a new, less contentious era of state sovereignty can emerge. Facilitating this will require important developments in three broad areas: postwar reconstruction, banking and financial reform, and public confidence.

A significant portion of Lebanon's infrastructure has been damaged or destroyed by a combination of the Hezbollah-Israeli war and neglect stemming from the preceding economic crisis. This is especially acute in Beirut's southern suburbs and the governorates (muhafazat) of Nabatieh, al-Janub and al-Beqaa. Roads, schools, health facilities, private homes and businesses will need to be rebuilt. Agricultural land will need to be rehabilitated. It will be incumbent on the government to take a leading role in this process in order to restore confidence and, in so doing, reduce dependency on non-state actors such as Hezbollah. Beirut's port, the largest in the country before the explosion in 2020, still needs to be repaired and refitted. This will also be important as a means of furthering reconstruction efforts, as many materials such as steel need to be imported.

Banking reform represents another key strategic necessity. As of the time of writing, local banks were not extending access to credit or providing access to deposits that had been locked for more than two years. The Salam government and the central bank were negotiating how to best address this situation without bleeding banks of their capital reserves. However, it is accomplished, citizens by right deserve access to their savings and credit in order to rebuild their lives and businesses. The international community can assist the banking sector in maintaining inflows from abroad while also ensuring that local banks treat their customers fairly. Nevertheless, the proposed IMF financial bailout is contingent on structural reforms that the current government needs to ensure its implementation, for instance by providing more transparency and accountability.

Restoring the confidence of the Lebanese people in their state and its institutions remains the greatest strategic challenge facing President Aoun. Numerous public opinion surveys have shown that Lebanese have very low trust in the state. Earning trust is a multifaceted endeavor, and both Aoun and Salam have acknowledged this in their public addresses.

Regionally and internationally, the new government and the president need to ensure positive bi- and multilateral relations with the Arab world, Europe and North America. This includes achieving a state monopoly over arms and fully implementing both U.N. Resolution 1701 and the November 2024 cease-fire agreement with Israel. Additionally, the new executive needs to improve border controls to halt illicit flows of arms and drugs. Specifically, in light of changes in Syria, the bilateral agreements that govern the eastern borders need to be revised in order to ensure the interests of both states are met.