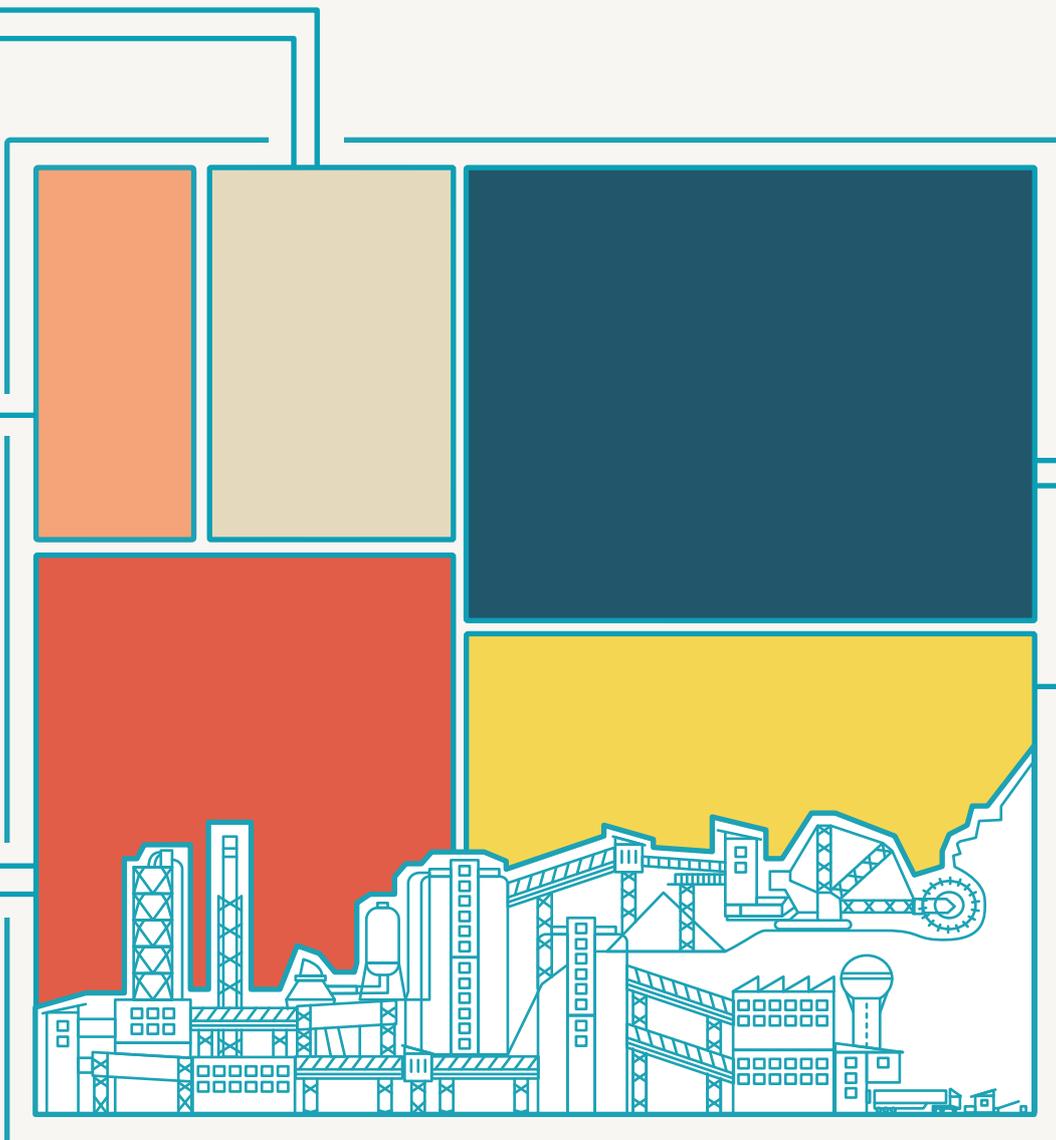


INVESTIGATIVE REPORT

MOUNTAIN TO MORTAR: LEBANON'S CONCRETE CONFLICTS OF INTERESTS

MAR 2021

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EXECUTIVE SUMMARY

Beirut's skyline is in perpetual flux. Constant destruction and reconstruction define the capital's recent history: ruination in the civil war (1975-1990), reconstruction in the 1990s, expansion during the housing bubble (2005-2010), and destruction in the port explosion of 2020. The persistent demand for cement and other building materials, combined with a class of avaricious politico-business elites, has turned the construction industry into a corrupted melting pot for politics and commerce.

While former Prime Minister Rafiq Al-Hariri's real estate company Solidere transformed the city's centre throughout the 1990s, quarries worked double time to meet the country's unprecedented demand for excavated materials. Politicians and their close circles placed themselves at the forefront of this unruly expansion; data obtained by Triangle proves that politicians or politically exposed people (PEPs) have owned at least one quarter of quarries since 1990. Almost all of these quarries exist in zones deemed illegal for quarrying. It is hardly surprising that the same group of politician-businessmen have failed to impose any proper regulation on the quarrying and crushing sector ever since.

Large amounts of excavated material find their way into cement kilns owned by Lebanon's three-member cement cartel: Cimenterie Nationale SAL, Holcim Liban SAL, and Ciment De Sibline SAL. Here, too, political interests preside over a cement bag's journey from mountain to mortar. At every stage of the journey, politicians and their family members are never far away: from the moment that rocks are quarried and crushed, to the processing of aggregate into cement at a production plant, and its distribution to retailers and building sites.

The three cement companies' proximity to political power has entrenched cement production as a breeding ground for conflicts of interest – divided loyalties that protect damaging, and sometimes illegal, practices. All the while, cement and construction companies have benefited from a real estate boom, fuelled by pre-crisis subsidised loans and stimulus packages from Lebanon's central bank, Banque du Liban. It is little wonder that politicians spurred on the real estate industry, given that these same elites own the banks that financed the boom, the plants and crushers that supplied the raw materials, and the construction companies that built gaudy skyscrapers beyond the means of most ordinary Lebanese people.

Now, faced with a stagnant real estate sector, the cement cartel is at its lowest financial ebb in decades. The construction industry's unprecedented hiatus is the time to make a change to the status quo ante.¹ Bringing accountability to these sectors demands comprehensive legal and environmental reform, combined with political vision which extends beyond short-term profits. In the long run, Lebanon's construction sector must ween the cement cartel off their cash cows, turning instead to more sustainable foreign sources of cement and building materials. More immediately, Lebanon's judicial system must rigorously apply the Law on Illicit Enrichment and enforce of quarrying and crushing laws which apply to existing illegal quarries.

Holding those in power to account will be no simple task, given Lebanon's notorious culture of impunity in the construction sector. But with quantified ownership and management data for one of Lebanon's most lawless sectors, activists and policy makers are one step closer to ending the needless destruction of Lebanon's mountainsides.



CEMENTED INTERESTS

Three well-connected cement production companies are the most obvious culprits for the scars that run across Lebanon's mountain faces: Cimenterie Nationale SAL, Holcim Liban SAL, and Ciment De Sibline SAL. A roster of politically influential shareholders and board members help ensure that the entire cement value chain is geared in the favour of this unholy trinity. Thanks to an effective cement import ban, for example, this corporate cartel is protected from foreign competition, leaving Lebanese consumers with one inflated price.

Cimenterie Nationale, Holcim, and Sibline also benefit from a variety of uncompetitive practices which exclude local newcomers from the sector, from price fixing to opaque licensing procedures. The cartel's unchallenged oligopoly over cement brought it untold profits during Beirut's property boom years. By 2018, Holcim, which controls almost half of the cement market, made almost \$65 million in profits.² Other members of the cement cartel are likely to have received similar windfalls from the artificially inflated sector. (For a more detailed analysis of market competition in Lebanon, see Triangle's 2020 paper, *Unfair Game*).³

The cartel's influence extends well beyond cement production, into the first step in the cement supply chain: quarrying and crushing rocks. Decree 8803 from 2002 and subsequent amendments explicitly forbid quarrying in any area except several remote municipalities, largely concentrated in the Bekaa valley. Despite this legislation, Holcim, Cimenterie Nationale, and Sibline extract most of the raw material needed for cement production outside of

these zones, in Kfarhazir, Badbhoun, and Sibline respectively, which considerably reduces the cost of transporting materials. By owning and operating quarries outside of these designated quarrying areas, Holcim, Cimenterie Nationale, and Sibline all contravene Lebanese law (See *Box I: By the Book*).

These violations have brought cement companies into conflict with municipalities, who should have the right to refuse quarrying activities on their land. In 2018, for example, Kfarhazir Municipality formally requested proof of an official quarrying permit from Holcim and Cimenterie Nationale. The companies allegedly responded that they had no permits, and that Holcim was still waiting to hear a response from the relevant authorities about an application from 2016.⁴ In a more recent incident, Holcim referred to a permit from 1936, even though the quarrying permit must be renewed annually. Local activists also accuse Holcim and Cimenterie Nationale of paying indirect bribes to municipalities and local organisations to silence opposition to their activities.⁵ Holcim and Cimenterie Nationale were unavailable for comment on these allegations, while Sibline claims that it "strictly complies with all laws and regulations in force in Lebanon."⁶



"The cartel's influence extends well beyond cement production, into the first step in the cement supply chain: quarrying and crushing rocks."





BOX I: BY THE BOOK

Decree 8803 (2002) forms the basis of legislation regulating quarries and crushers in Lebanon, designating four remote areas of the Bekaa valley where quarries are permitted: Aarsal, Tfeil, Kousaya, and Rashaya.⁷ Eleven additional areas were later added,⁸ in which quarrying and crushing is only permitted outside of nature reserves and far from rivers.⁹ A successful permit must pass through the Ministry of Interior and Municipalities (MoIM), the National Council for Quarries (headed by the Environment Minister), and the relevant municipality, before being renewed annually.¹⁰ Broadly speaking, this legal framework invests the Ministry of the Environment with monitoring powers, while leaving enforcement powers to the MoIM and municipalities themselves.¹¹ Those using a quarry without license, or with an expired license can face imprisonment of up to one year and a fine of between 50 million and 100 million Lira. If the violation is repeated, the penalty can be doubled. Confusingly, the National Physical Master Plan of the Lebanese Territory (NPMPLT) - endorsed by the Lebanese Cabinet in July 2009 - was intended to supersede all previous regulation of quarries and crushers. However, Decree 8803 and its amendments remain the main framework for quarries and crushers.

ABOVE THE LAW

The cement cartel is able to bypass quarrying and crushing laws thanks to its considerable economic and political clout, reflected in the ownership and management of the three companies. Triangle's investigation used multiple sources to corroborate data from the Lebanon's Commercial Registry, revealing dozens of politically exposed people (PEPs) amongst the cartel's shareholders and boards of directors.

DEFINING CONFLICTS OF INTEREST

Conflicts of interest occur when an individual or a company can exploit their own professional or official capacity in some way for personal or corporate benefit.¹² This report identifies conflicts of interest in Lebanon's cement industry, by identifying and classifying politically exposed persons (PEPs) who are in a position to benefit from conflicts of interest. Conflicts of interest are ascertained through an analysis of ownership (shareholders) and management (boards of directors) of various companies involved in the cement and construction sectors. Triangle categorises PEPs into the following five groups:

- **Direct Politically Exposed Person (PEP):** Person is currently a Member of Parliament (MP), Cabinet Minister, or (mutually exclusive) leader/top level official from a political party which took part in the violent conflict during the Lebanese Civil War from 1975-1990.
- **Indirect 1 PEP:** Person has been an MP or minister since 1990, or (mutually exclusive) leader/top level official from a political party which took part in the Lebanese Civil War.
- **Indirect 2 PEP:** Person's extended family member (extending to grandparent, [great] aunts/uncles, nephews/nieces, cousins) is or was an MP or Minister since 1990s, or (mutually exclusive) leader/from a political party which took part in the Lebanese Civil War.¹³
- **Indirect 3 PEP:** Person has ownership or management control in a legal entity in which any of the persons who are classified under Direct/Indirect 1/Indirect 2 has economic interest.¹⁴
- **Other PEP:** An individual whose family may be or may have been entrusted with a prominent public function by a foreign or domestic government including in religious establishments.¹⁵



OWNERSHIP & MANAGEMENT

B BOARD OF DIRECTORS

- Walid Kamal Joumlatt**
- Taimour Walid Joumlatt**
- Francisco J. DeMelo De Castro Guedes**
- Chadia Salim Meouchi**
- Nicolas Camille Nahas**
- Leite Gonzalo De Castro Salazar**
- Secil-Companhia Geral de Cal e Cimento**
- MIB Investment SAL Holding**
- Otmar Hübscher**
- Gonzalo De Castro Salazar Leite**
- Al Mal Investment SAL Holding**
- Carlos Alberto Medeiros Abreu**

DIRECT POLITICALLY EXPOSED PERSON (PEP)
Current MP, minister, or top level party official.

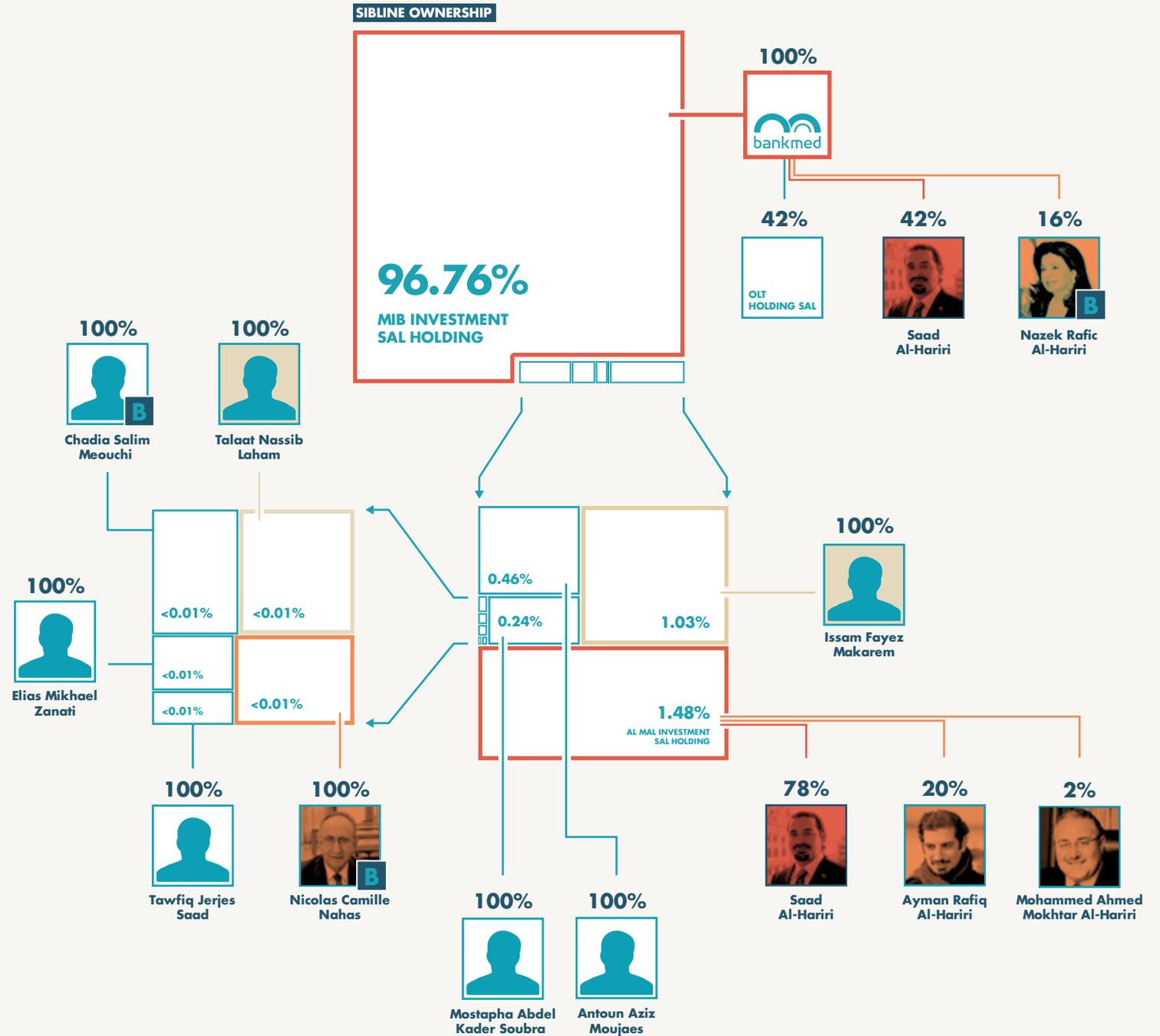
INDIRECT 1 PEP
Has been an MP, minister or top level party official since 1990.

INDIRECT 2 PEP
Extended family member is or was an MP, minister or top level party official since 1990.

INDIRECT 3 PEP
Controls in a legal entity in which a Direct or Indirect 1/2 PEP has economic interest.

OTHER PEP
Extended family is/was entrusted with a prominent public function including in religious establishments.

*For full PEP definitions, see paper.





CIMENTERIE NATIONALE

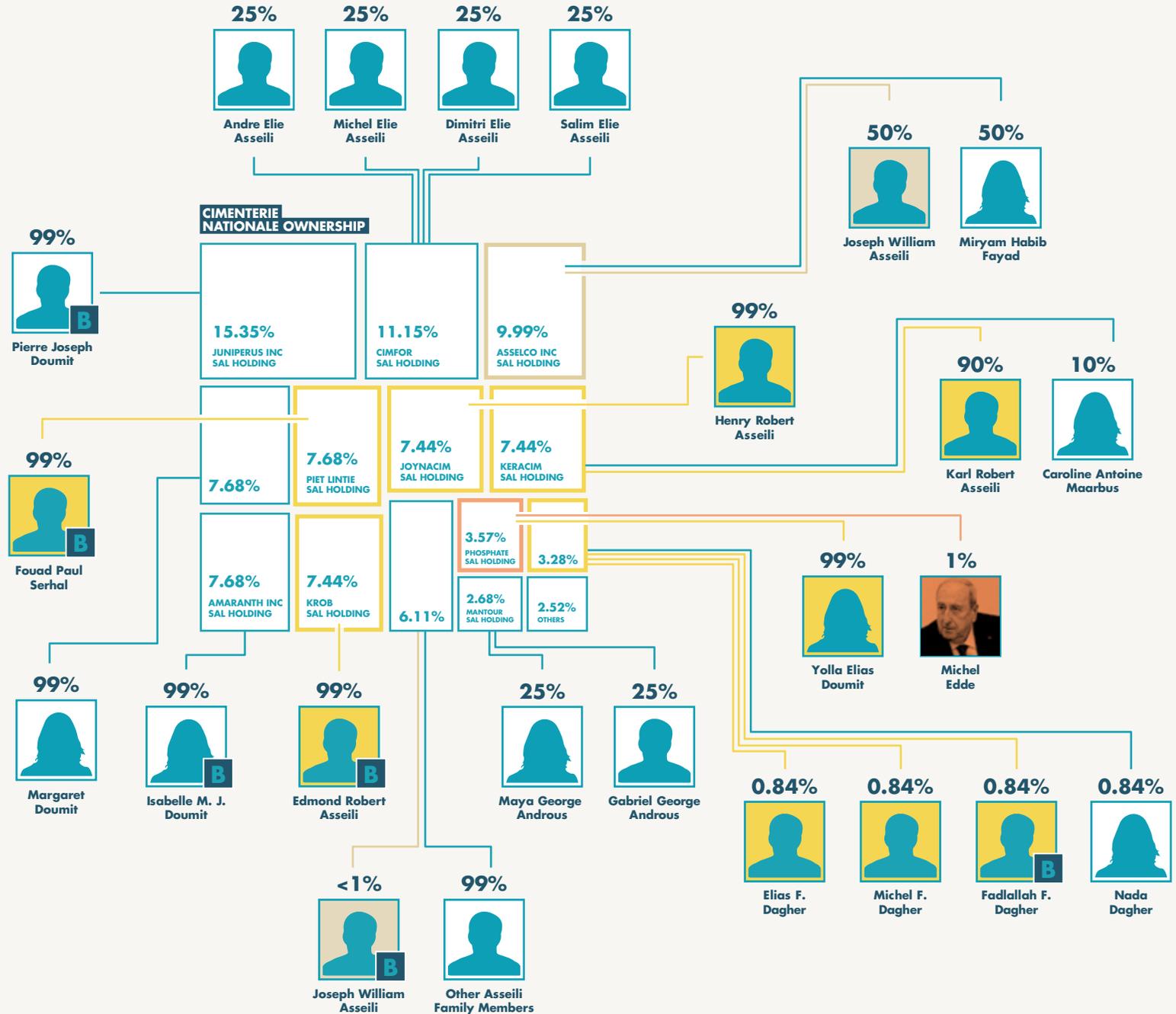
OWNERSHIP & MANAGEMENT

BOARD OF DIRECTORS

- Pierre Joseph Doumit
- Isabelle Marie Michel Nee Skaf
- Isabelle Marie Joseph Doumit
- Fouad Paul Serhal
- Joseph William Asseili
- Joumana Edmond Asseili
- Edmond Robert Asseili
- Salim Georges Asseili
- Daniella Doumit
- Fadlalla Ferdinand Dagher
- Edouard Skandar Georges Asseili

- DIRECT POLITICALLY EXPOSED PERSON (PEP)**
Current MP, minister, or top level party official.
- INDIRECT 1 PEP**
Has been an MP, minister or top level party official since 1990.
- INDIRECT 2 PEP**
Extended family member is or was an MP, minister or top level party official since 1990.
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Controls in a legal entity in which a Direct or Indirect 1/2 PEP has economic interest.
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Extended family is/was entrusted with a prominent public function including in religious establishments.

*For full PEP definitions, see paper.



Sources: Lebanon's Commercial Registry

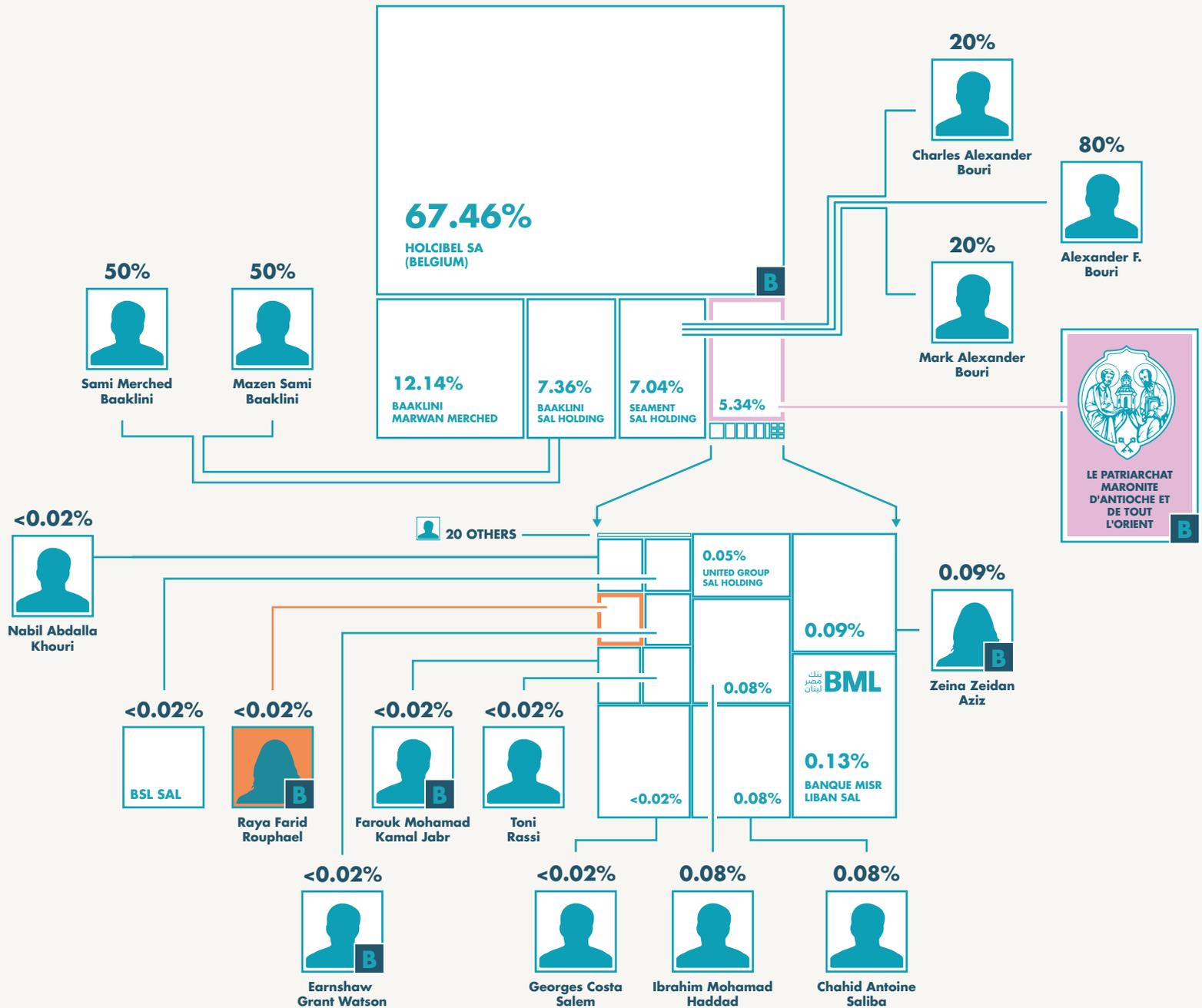


OWNERSHIP & MANAGEMENT

B BOARD OF DIRECTORS

- Farouk Mohamad Kamal Jabr
- Grant Watson Earnshaw
- Zeina Aziz Zeidan
- Raya Antoine Nee Nahas
- Raya Farid Roupheel
- Holcibel SA (Belgium)
- The Maronite Catholic Patriarchate of Antioch

HOLCIM OWNERSHIP



- DIRECT POLITICALLY EXPOSED PERSON (PEP)**
Current MP, minister, or top level party official.
- INDIRECT 1 PEP**
Has been an MP, minister or top level party official since 1990.
- INDIRECT 2 PEP**
Extended family member is or was an MP, minister or top level party official since 1990.
- INDIRECT 3 PEP**
Controls in a legal entity in which a Direct or Indirect 1/2 PEP has economic interest.
- OTHER PEP**
Extended family is/was entrusted with a prominent public function including in religious establishments.

*For full PEP definitions, see paper.

Sources: Credit Reports obtained from 5 Index; Lebanon's Commercial Registry



The most overt example of how powerful politicians have economic interests in turning a blind eye to illegal quarrying is Sibling, whose ownership is dominated by the Hariri family. Sibling's single largest shareholder, MIB Investment S.A.L. Holding, is owned by Bankmed, which is majority owned by two members of the Hariri family: namely former prime minister and Future Movement leader **Saad Al-Hariri** (42%), and former prime minister Rafiq Al-Hariri's widowed second spouse, **Nazek Al Hariri** (16%).¹⁶ Members of the Hariri family are equally dominant in Al Mal Investment SAL Holding, Sibling's second largest shareholder. **Saad Al-Hariri** holds 78% of shares in Al Mal Investment SAL Holding, alongside Rafiq Al-Hariri's son **Ayman Rafiq Al-Hariri** and his cousin **Mohammed Ahmed Mokhtar Al-Hariri**¹⁷ who hold 20% and 2% respectively.¹⁸

Two other shareholders - **Makarem Issam Fayed** and **Laham Talaat Nassib** - have strong commercial ties with **Walid Joumblatt** and Former Minister of the Economy **Nicolas Nahas** respectively. Fayed, for example, is the Secretary General of the Joumblatt-affiliated Druze Foundation for Social Welfare and holds shares in two other companies with Walid Joumblatt.¹⁹ Members of the Joumblatt family hold prominent positions in Sibling's executive management. Progressive Socialist Party leader **Walid Joumblatt**, for example, is Sibling's chairman, and his son **Taymur Joumblatt** sits on its board. Nicholas Nahas is another board member, whilst also holding shares in the company. In 2020, Nahas attended meetings between Sibling, Holcim, and various government ministries concerned with regulating the cement sector, a clear example of how environmental and industrial policy making is exposed to conflicts of interest from within the cement cartel.²⁰

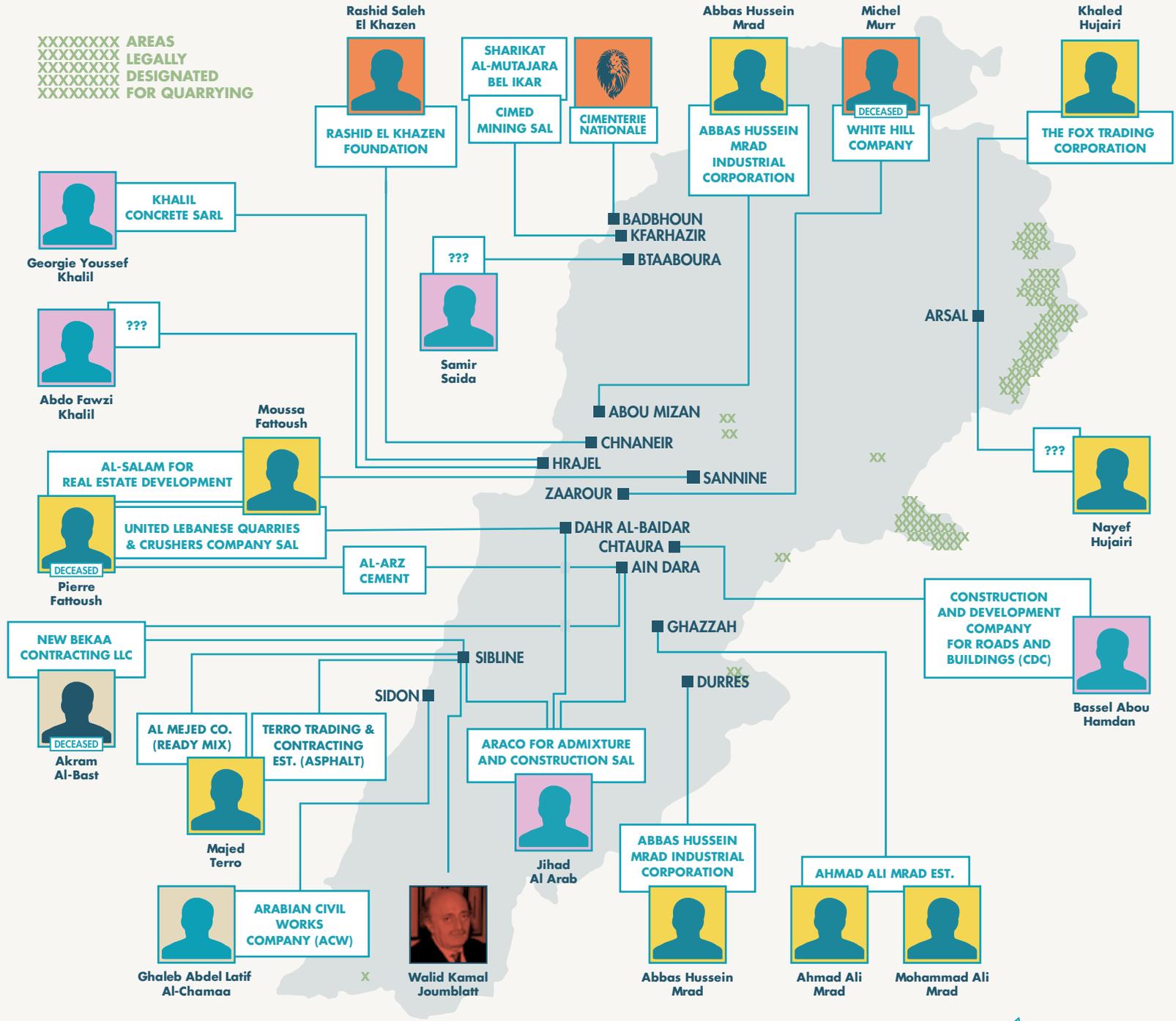
Cimenterie Nationale's shareholders contains numerous PEPs, although their political exposure is less direct, and often obscured through the use of shell companies. The Doumit and Asseile families jointly own most of Cimenterie Nationale, but those individuals with stronger connections to current and former politicians hold their shares through a complex series of shell companies. For example, former minister **Michel Edde** and his wife **Yolla Elias Doumit** own around 4% of Cimenterie Nationale shares through a shell company Phosphate SAL Holding.²¹ Three nephews of **Yolla Elias Doumit** own equal stakes (around 8% each) in Cimenterie Nationale through shell companies Krob S.A.L. Holding,²² Joynacim S.A.L. Holding,²³ and Keracim S.A.L. Holding.²⁴ Another shell company Piet Lintie S.A.L. Holding is owned by **Fouad Paul Serhal**, grandson of former Jezzine MP **Farid Serhal**. Other close family members of Yolla Elias Doumit by the family name of Dagher also own roughly 4% of Cimenterie Nationale. Another individual shareholder **Joseph William Asseili** (around 5% ownership) sat on Solidere's board of directors,²⁵ and was implicated in a real estate scandal with the Hariri family.²⁶ Asseili also has commercial connections with former minister Michel Edde through a separate company, called Cempack Holding SAL.

A close examination of Holcim Liban SAL's shareholders also reveals exposure to both political and religious elites, even though the company is largely foreign-owned. Individual shareholder **Raya Farid Raphaël** (<1%), for example, is the daughter of former finance minister and founder of Banque Libano-Française **Farid Raphaël**.²⁷ The **Maronite Catholic Patriarchate of Antioch**, the seat of the Patriarch of the Maronite Church governed by Patriarch Cardinal Bechara Boutros

QUARRY OWNERS & OPERATORS ACROSS LEBANON

This map shows politically exposed people (PEPs) who have owned or operated quarries and crushers in Lebanon since the civil war (1975-1990). The map is based on publicly available information, meaning that the actual number of PEPs involved in Lebanon's quarrying and crushing sector may well be even higher. Where possible, the PEP's company was also included.

- DIRECT POLITICALLY EXPOSED PERSON (PEP)**
Current MP, minister, or top level party official.
- INDIRECT 1 PEP**
Has been an MP, minister or top level party official since 1990.
- INDIRECT 2 PEP**
Extended family member is or was an MP, minister or top level party official since 1990.
- INDIRECT 3 PEP**
Controls in a legal entity in which a Direct or Indirect 1/2 PEP has economic interest.
- OTHER PEP**
Extended family is/was entrusted with a prominent public function including in religious establishments.



*For full PEP definitions, see paper.

Sources: General Directorate of Land Registry and Cadastre; Lebanon's Commercial Registry; Industry sources; Local media; National Plan of Sites Suitable for Quarries, 2009



al-Rahi, is another shareholder representing religious elites, owning 5% of the company. Although the exact ownership of the Maronite Catholic Patriarchate of Antioch is not publicly available, this group has close historical ties to local and foreign political elites and has benefited from many state decisions favourable to the cement sector.²⁸



"Shockingly, over 90% of Lebanon's quarries are illegal and unregulated. Rapid and unplanned urban development... produced today's intentionally unplanned state of affairs."



Triangle's investigation also reveals the extent to which PEPs dominate land ownership in and around quarried territories. Large cement companies have attempted to distance themselves from the unregulated quarrying sector by hiring contractors to quarry and crush on their behalf.²⁹ However, documents from the General Directorate of Land Registry and Cadastre prove indisputably that the companies' owners and managers enjoy almost complete ownership of the land. **Cimenterie Nationale**, for example, owns the vast majority - roughly 90% - of the Badbhoun quarry, which is located outside of the legal quarrying zones. The rest is jointly owned by Cimenterie Nationale and a real estate investment company named **Davico Fonciere SAL**.³⁰ As shown above, Cimenterie Nationale itself has multiple politically exposed people (PEPs) among its shareholders and board members. Sibline presents a similar story; **Walid Joumblatt**, the company's chairman and a direct PEP, owns almost all of Sibline's quarried land and its adjacent land, all of which sits outside of areas designated for the activity.³¹ As for Holcim's Kfarhazir quarry, publicly available data does not show political exposure among landowners,

companies **Sharikat Al-Mutajara Bel Ikar** (30%) and **Cimed Mining S.A.L.** (60%), in addition to 11 individual owners. However, at least one of Holcim's shareholders (**Ghassan Mikhael Hujairi**) is also a major shareholder in Sharikat Al-Mutajara Bel Ikar, indicating commercial ties between the two companies.³²

BOX II: Illegal Quarries Past and Present

Shockingly, over 90% of Lebanon's quarries are illegal and unregulated.³³ Rapid and unplanned urban development in the post-civil war era produced today's intentionally unplanned state of affairs. Between 1994 and 2000, the annual demand for quarried materials reached between 15 million metres cubed, as construction firms rebuilt parts of Beirut obliterated in the civil war (1975-1990). A little over half of Lebanon's quarries are clustered in Mount Lebanon - the most populous governorate in Lebanon outside of Beirut - followed by 22% and 17% in North Lebanon and the Bekaa respectively, and only 9.3% in South Lebanon.³⁴ The Ministry of Environment explicitly forbids quarries being located on the top of high hills that can be seen from the seashore and the international roads, in areas of touristic and archeological importance, in green lands, and in areas of high biodiversity.³⁵ A drive through the Lebanese mountains is enough proof that these environmental regulations are being flouted with impunity. Environmental impacts of quarrying include the pollution of groundwater, contamination of underground aquifers, increase of surface water runoff, air pollution through dust emission, destruction of biodiversity, and damage to nearby buildings. Quarrying activities also cause land prices around quarries to plummet. In simple economic terms, the environmental degradation resulting from Lebanon's quarries equal to at least \$14 million every year.³⁶



BELOW THE LAW

Politicians and their entourage are also over-represented among small and medium quarry operators and owners, who are not part of the cement cartel. This investigation found that at least one in four owners of smaller quarries and crushing companies have been PEPs since the civil war (1975-1990).³⁷ This finding is based on publicly available information, meaning that the actual proportion of PEPs may well be even higher. This number includes:³⁸

- One current politician: **Walid Kamal Joumblatt**, leader of the Progressive Socialist Party.
- Three former politicians: **Elie Hobeika**, deceased Former Minister of the Displaced and leader of the Lebanese Forces; **Rashid Saleh El Khazen**, MP for Keserwan; and **Michel Murr**, former Deputy Prime Minister.
- Four close family members of current and former politicians: **Majed Terro**, brother of MP Alaaeddine Terro; **Pierre and Moussa Fattoush**, brothers of MP Nicola Fattoush; and **Nayef Hujairi**, close relative of former MPs Munir Al-Hujairi and Bakr Al-Hujairi.
- Two individuals who share economic interests with political elites: **Akram Al-Bast**, funder of Future Movement election campaigns;³⁹ and **Ghaleb Abdel Latif Al-Chamaa**, advisor to the former Prime Minister Rafiq Al-Hariri and shareholder in Future TV.
- Four other politically exposed people: **Jihad Al-Arab**, brother of Abdel Arab, security official for Saad Hariri; **Georgie Youssef Khalil** and **Abdo Fawzi**

Khalil, whose family holds municipal positions in Hrajel; and **Bassel Abou Hamdan** who allegedly receives illegal quarrying permits through Nabih Berri's Amal Movement.⁴⁰

These PEP-owned smaller quarries have sprung up across Lebanon. Specifically, they are located in Ain Dara, Sibling, Zaarour, Dahr Al-Baidar, Btaaboura, Chnaniir, Abou Mizan, Sannine, Hrajel, Chtaura, and Aarsal - all areas outside of legally designated quarrying zones, with the exception of Aarsal. And yet, even the Fox Trading Company's quarry in Aarsal - a rare example of a legally located quarry - lacks a quarrying permit.⁴¹ The high representation of PEPs among smaller quarries and crushers explains how most Lebanon's quarries are found outside of these permitted zones. Multiple industry sources agree that successful so-called developers must have political clout, allowing them to benefit from informal arrangements with local landowners, municipalities, and politicians. These arrangements provide a back door into the sector, giving connected developers legal coverage to extract aggregate without applying for an official quarrying permit or using an outdated or incorrect permit.



"Successful so-called developers must have political clout, allowing them to benefit from informal arrangements with local landowners, municipalities, and politicians."



One example of a politically connected crusher operator is **Pierre Fattoush**, brother of former minister Nicolas Fattoush, who owns both United Lebanese Quarries and



“

“The process of obtaining a cement ‘coupon’ is untransparent, allegedly decided by long-standing sectarian relationships between retailers and the producers themselves.”

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Crushers Company SAL and Al-Salam Real Estate Development Company. Both companies benefit from suspect arrangements with local landowners in Dahr al-Baidar and Sannine respectively. In the case of Sannine, the Fattoush family forbade local residents from entering the illegal quarry by installing military checkpoints.⁴² The politically influential Khazen family has also played a significant role in quarrying within the Keserwan District of Mount Lebanon. Deceased MP for Keserwan Rashid Saleh El Khazen, for example, provided political coverage for a quarry in Chnaneir between 1992 and 1994.⁴³

South Lebanon contains fewer quarries than the quarrying heartlands of the North and Mount Lebanon, but political connections hold equal sway over the quarrying sector. In the Druze heartlands of Siblīn and Ain Dara, for example, Progressive Socialist Party leader Walid Joumblatt allegedly grants legal protection to certain quarrying and crushing companies. Among the beneficiaries of these clandestine arrangements are PEP quarry and crusher owners **Jihad al-Arab** (through his company Araco) and **Majed Terro**.⁴⁴ Terro claims to have a valid quarrying license, despite being in an illegal location, while al-Arab did not respond to numerous attempts to contribute to this investigation.⁴⁵ Several other industry sources confirmed that similar agreements exist between Joumblatt and Jihad al-Arab for quarries near Jiyeh.⁴⁶ Further south, sources claim that the Arabian

Civil Works Company (ACW) profits illegally from agreements with the Speaker of Parliament Nabih Berri in an area known as al-Maan, north of Sidon.⁴⁷ ACW is a real estate development firm owned partly by **Ghaleb Abdel Latif Al-Chamaa**, an advisor to the former Prime Minister Rafiq Al-Hariri and shareholder in Future TV, the mouthpiece of the Future Movement political party.⁴⁸

TERRITORIAL DISTRIBUTION

The cement cartel's unchallenged position distorts other parts of the cement value chain, including distribution. Some retailers with historic connections to a particular cement producer benefit from an opaque system of “coupons” at the expense of newcomers. The process of obtaining a cement “coupon” is untransparent, allegedly decided by long-standing sectarian relationships between retailers and the producers themselves. Given the sectarian geography of Lebanon, this pattern of distribution encourages territorial allocations of the market among sellers.⁴⁹ The recent manipulation of cement prices is one example of how this allocation allows retailers to change prices in unison, at the expense of the consumer. Since late 2019, retailers increased a tonne of cement from around 150,000 Lira to 800,000 Lira, owing to an alleged shortage of cement in the local market. Despite a new price ceiling of 240,000 Lira, the companies are still selling cement for more than 240,000 Lira.



RECOMMENDATIONS

The economic crisis may have temporarily slowed the construction industry, but the political interests guarding this once-lucrative sector appear more entrenched than ever. Last year, the short-lived Hassan Diab administration tried to curb illegal quarrying and impose a price ceiling on cement; yet since then, Holcim, Cimenterie Nationale, and Sibling have shown no signs of changing their profitable business model, much less the politically connected oligarchy that remains above the law.⁵⁰

As long as they have financial interests in the construction sector, PEPs will continue to block reform. To counter this, Lebanon's Law on Financial Disclosure, Conflicts of Interest and Illicit Enrichment (amended in 2020) must clearly define conflicts of interest, and political exposure, as outlined in this paper. Recent amendments have made it easier to prosecute high-ranking officials and politicians, including cabinet ministers and MPs.⁵¹ However, the Lebanese Constitution currently shields the President of the Republic from the Law on Illicit Enrichment.⁵² Future legal reform should ensure that this legislation extends to all public positions, including the President. The swift formation of an empowered National Anti-corruption Commission (NACC) is another crucial step to ensure proper implementation of the reformed law.

A stricter Illicit Enrichment Law will pave the way for meaningful reform in the construction sector. Most pressing, the quarrying and crushing industry requires long-awaited legal clarity. Current legislation is unwieldy and often downright contradictory, epitomised by the discrepancies between the National Master Plan for Quarries (NMPQ) and the National Physical Master Plan of the Lebanese Territory (NPMPLT), both approved in 2009.⁵³ As a matter of urgency, the ministries of the environment, industry, and interior must reconcile the two pieces of legislation, to avoid confusion and legal loopholes in the future.

Future legislation must also address the hundreds of existing illegal quarries, a gaping omission in the current legal framework. The NMPQ, for example, only applies to prospective quarry applications, while disregarding existing non-compliant and unlicensed quarries.⁵⁴ The relevant ministries and municipalities should publish a harmonised map of areas to be excluded from current and future quarrying. Designated quarrying zones would respect key considerations outlined in the NPMPLT, including resource usage, social development, protection of environment, and conservation of heritage.⁵⁵ Meanwhile, a comprehensive rehabilitation plan (with legal, technical, institutional, and financial frameworks) will need to ensure that depleted

"Future legislation must also address the hundreds of existing illegal quarries, a gaping omission in the current legal framework."



quarries are safe, environmentally stable and compatible with adjoining land.⁵⁶ New harmonised regulations must also outlaw the practice of granting quarrying permit extensions, which undermine the permit regime.

Collection of quarrying and crushing license fees is listed as a “revenue increasing measure” in the government’s Financial Recovery Plan.⁵⁷ But if that or any other plan ever comes to fruition, future governments should go further, applying a policy of Extended Producer Responsibility (EPR) to the construction sector at large, making it costly to damage the environment. EPR would not only incentivise greener and more efficient quarrying and cement production, but also draw revenue from those who continue violate the law. Enforcing such policies necessitates an independent enforcement body representing politically unaffiliated ministry representatives, municipalities, local businesses, and activists. Such an independent body must be devoid of all political influence and affiliation. In the past, this role has fallen to the Higher Council for Urban Planning (HCUP) - a group of Director Generals from select ministries (Interior and Municipalities, Housing, Transports, Public Works, Justice and Environment Higher Council for Urban Planning).⁵⁸ The HCUP, which lacks any independent representation, has done little to enforce the NPMPLT’s recommendations, referencing the NPMPLT in a mere five out of its 42 master plans.⁵⁹

The longer-term vision for Lebanon’s economic recovery is likely to rely in some part on the tourism sector.⁶⁰ Exceptional natural sites and biodiversity will be a key asset in any effort to promote tourism. If the government hopes to support this burgeoning

sector, it should begin to ask existential questions about the cement and quarrying sectors. Cement, for example, could and should be imported from abroad more cheaply and with less environmental cost. The ludicrously high import tariffs on cement would be a welcome first casualty of a more open construction sector. Many other construction materials can also be sourced from outside of Lebanon. Special trade deals with countries like Egypt, abundant in sand and other aggregates, would ensure the longevity of Lebanon’s mountains and forests.⁶¹

EDITORS NOTE:

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Triangle made numerous attempts to contact all persons and entities mentioned by name in this report. In the event that they did not respond, Triangle sent emails requesting comment on the relevant assertions in this paper.

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CORRECTION:

A previous version of this paper incorrectly stated that Rashid Haykal El Khazen owned a quarry in Chnaneir. In fact, his uncle Rashid Saleh El Khazen owned the quarry through the Rashid El Khazen Foundation.





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- 5 Interviews with local activists in Koura, February to March 2021.
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- 10 Quarrying fees payable to the Ministry of Finance (MoF) include a lump sum of 2.5 million Lira upon issuance of a quarrying permit, and an additional fee of 1,000 Lira for every cubic metre extracted. Fees paid to the MoF should go to the concerned municipality. Municipalities also have a right to charge a variable annual fee on licensed quarries operating within their jurisdiction, depending on the type of material extracted. # Terms of quarrying licenses can exceed five years. Exception of granting licenses for max 10 years for quarries intended for industrial development (i.e. cement industry).
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