

## **INTERVIEW Mr. Badri El Meouchi – ALDIC – « The Public and Corporate Governance in the light of Lebanon’s actual context » by Nour Karam and Nicolas Arathimos**

---

Lebanon has been grappling with a complex political, economic, and social landscape, which has had a profound impact on both private and public sectors. In recent years, the country has witnessed a series of crises, including a severe economic downturn, political instability, and widespread protests. These challenges have exposed weaknesses in both Corporate and Public Governance systems, leading to a loss of trust among the population and hindering the country's progress.

Corporate Governance, encompassing the activities of businesses, corporations, and organizations, plays a crucial role in Lebanon's overall development. However, the economic crisis, characterized by hyperinflation, a steep devaluation of the national currency, and widespread unemployment, has severely affected private enterprises. Many businesses have struggled to survive, leading to layoffs, closures, and reduced investments. As a result, Corporate Governance faces the daunting task of adapting to these harsh conditions, ensuring sustainability, and rebuilding trust with stakeholders.

On the other hand, Public Governance in Lebanon has also faced significant challenges. The country's political landscape has been marred by polarization, corruption, and a lack of transparency. This has eroded public trust in government institutions and hindered their ability to effectively address the needs of the people. In the wake of the crises, there is a pressing need to reform Public Governance, enhance accountability, promote transparency, and restore confidence in the state's ability to provide essential services and uphold the rule of law.

Given the situation, it seemed natural for the ALDIC Youth Committee to turn to Mr. Badri El Meouchi. As former co-executive director and Chairman of Lebanese Transparency Association, Mr. Meouchi will try to bring to our readers the opinion and expertise they expect on the Lebanese Public and Corporate Governance. More specifically, the key issues surrounding Public and Corporate Governance in Lebanon, seeking to understand the impact of the economic crisis on businesses, the role of the private sector in driving economic recovery, the challenges faced by public institutions, and the necessary steps to rebuild trust in governance systems.

1. **Question:** Please introduce yourself in a few lines, including your background, your experience as one of the few Lebanese individuals specialized in governance.

My name is Badri El Meouchi, and I have been involved in the field of anti-corruption since 2005 when I returned from Canada. At that time, I served as the co-executive director of the Lebanese Transparency Association, which is now known as the Lebanese Chapter - Transparency International.

Since 2007, I have increasingly focused on Corporate Governance while continuing to work on Public Governance. Our work, primarily through LTA, has involved raising awareness and engaging with youth on anti-corruption initiatives and the culture of anti-corruption. Additionally, we have been involved in drafting laws and advocating for their approval by the parliament. We also provide support in capacity building for the implementation of these laws. This work complements the research and publication efforts of the Transparency Chapter in Lebanon, which focuses on corruption in key sectors, including beneficial ownership research in Lebanon.

Our approach is not aggressive in the sense of street activism like chanting or marching. Instead, it involves working behind the scenes with various stakeholders to change the legal and regulatory framework in Lebanon and transform the country's culture and mindset.

Since 2015, I have been working with Tamayyaz, where we carry out these efforts through the private sector, specifically in the field of Corporate Governance. We are the official license provider of the International Finance Corporation in the World Bank Group for curriculums on Corporate Governance for board members, shareholders, and others. This allows them to understand what they need to do within their own organizations to maintain order.

2. **Question:** What your greatest challenge has been over the last 5 years, considering the turbulence that Lebanon has experienced?

I do not know where to begin when discussing the challenges in Lebanon. The country was already facing difficulties before the financial crisis and the pandemic. It has always been a challenging business environment, making it difficult to plan ahead. Encouraging companies to improve their Corporate Governance practices has always been a challenge. However, it's encouraging to see that since 2017, more and more owners and directors of companies are recognizing the benefits of such practices.

Regarding the public sector, the greatest challenge lies in the lack of stewardship and leadership from the political elite in the country. This is compounded by major systemic weaknesses in Lebanon's legal and regulatory framework, leading to a state of lawlessness and disorder. On one

hand, many necessary reforms are not taking place, and on the other hand, those responsible for implementing these reforms operate above the law. They are untouchable, and the codes and judiciary power cannot hold them accountable. It creates a frozen system where those who benefit most from corruption are expected to be the agents of change, which is a recipe for failure.

These are the greatest challenges from my perspective. It is a puzzle that needs to be cracked, finding the weak point that can cause the system to implode from within. However, corruption has become so deeply rooted in Lebanon that identifying that weak point is difficult. In fact, the political elite, despite their divisions presented in the news and political rhetoric, often collaborate behind closed doors.

**3. Question:** As we do not have an unequivocal definition of corruption, how would you define it?

We adopt the definition of Transparency International, an international organization that combats corruption through chapters/branches in over 100 countries. Ultimately, the definition is quite simple: the abuse of authority for private gain. It can be applied to any sector, whether it is the private sector, public sector, politics, NGOs, and so on. In any organization, there are individuals holding positions of authority, and their use of that authority determines whether corruption exists within the organization. When authority is exploited for personal benefit, it typically constitutes corruption.

In the case of the private sector, one can delve deeper by considering the definitions of the duty of loyalty and the duty of care, which every board member or executive should embody in their behavior and actions. These two duties, universally understood, revolve around ethics, integrity, and having the right mindset to tackle challenges and fulfill the organization's objectives or purpose. However, the simplest definition remains: the abuse of authority for private gain.

**4. Question:** Everybody talks about corruption in general, but nobody understands what corruption means from a legal perspective. Can you enlighten us please?

Yes, I believe clarification is needed to discuss the various forms of corruption. Indeed, corruption can manifest in many ways, such as embezzlement, fraud, nepotism, or clientelism.

Unfortunately, Lebanon has experienced an abundance of these forms of corruption. For instance, when politicians engage in nepotism by favoring their own children for positions, or when examining public contracts awarded by the government, it becomes evident that 56% of them are consistently awarded to the same companies, which illustrates a case of clientelism.

These companies are often connected to the very politicians who issue these contracts, allowing them to benefit from the entire system. Fraud and embezzlement are self-explanatory, and their presence in Lebanon is apparent.

Additionally, there are various other forms of corruption, including judicial corruption, where judges are compromised and fail to act in the best interest of the law but instead prioritize the interests of specific individuals or parties.

Lebanon exhibits all these forms of corruption, and internationally, it is often regarded as a classic example of a country deeply entrenched in corruption. While other countries may also have corruption issues, Lebanon stands out due to the complexity and systemic nature of its corruption.

**5. Question:** Since October 2019, Lebanon has been going through an ongoing crisis. How do you interpret this crisis from the perspective of corruption?

This crisis is a direct result of corruption, a consequence of decades of corruption. The system in Lebanon is controlled by six individuals who dominate the main political parties. When they cooperate, things happen, but when they do not, the system becomes paralyzed. This pattern has been observed not only in the past few years since 2019 but also before that, creating an ongoing scene of crisis. Previously, it was primarily a socio-political crisis, but now it has escalated into a socio-economic-political crisis, which is also a result of corruption.

Corporate Governance plays a role in this crisis as well. If banks had implemented proper Corporate Governance practices, effective risk management would have been a key component. However, Lebanese banks exhibited poor risk management by extending loans to clients who never repaid them, leading to the banks' own troubles. The governance of the banks themselves raises questions, and there is an ongoing investigation regarding the actions of the governor of the Lebanese central bank, which raises concerns about ethical standards. Thus, the crisis is a direct consequence of corruption, not only in the socio-political context but also in the financial-economic context.

Furthermore, many reforms that could have steered Lebanon in a different direction have not been implemented, despite being under consideration for over a decade. These reforms could have had a positive impact on reducing corruption. For example, the law on access to information, which was introduced to parliament in 2009 by a coalition of more than 17 NGOs, including Transparency International, was not approved until February 2017. Even the mechanisms for its effective implementation were not approved until last year (2022), which is another five years later. Similar delays can be seen in other laws, such as whistleblower protection and the creation of a national anticorruption commission. The approval of the national

anticorruption strategy by parliament, which occurred over two years ago, has not resulted in any implementation.

There is a clear strategy to fight corruption in Lebanon, as approved by parliament. However, the problem lies in the lack of political will and leadership to make it happen. Without these three crucial reforms taking place, there will be no economic revival or investments flowing into the country. One sector that urgently requires reform is the electricity sector, which is plagued by corruption. Rebuilding the economy without addressing this sector is impossible. The leading politicians have vested interests in maintaining the system of corruption, making it unlikely for them to initiate change.

A recent example, the contract for the new terminal at the airport, exemplifies how the leaders have failed to learn from the events since October 2019. Despite a new public procurement law that advocates for transparent public tendering, this contract was granted without proper procedure, suggesting that those in power believe they can personally choose who will carry out the contract and benefit from it financially. From any perspective, it is evident that this contract does not serve the best interests of Lebanon as a state or its citizens. The process that should have been followed was completely bypassed, underscoring the continuing presence of corruption in decision-making and resource allocation in Lebanon.

**But do you think leaders have not understood, or do they do it purposely?**

I do not believe that those who are successful at being corrupt are foolish. On the contrary, they are often very clever and creative. As a counterforce, we need to be even smarter and more innovative because they know exactly what they are doing. They exploit any loopholes and authority within the system to serve their own interests. That's their modus operandi. Since they hold top positions, and those beneath them often emulate their example, mindset, culture, and behavior. When accountability for those at the top is lacking, it becomes impossible to hold those below them responsible. Essentially, there is impunity and a lack of accountability within the entire system.

**You mentioned banks and risk management.**

I do not want to speculate. Ultimately, it boils down to the same principles that are at stake. In any system that aims to avoid such outcomes, certain elements must be present, including accountability, responsibility, transparency, fairness to all stakeholders involved, and independent oversight of executive functions. These principles reflect good governance in any context, whether it's the public or private sector. When these elements are absent, we can draw similarities between different situations. If we want to avoid repeating the same mistakes, we need to have these key elements in place. However, we keep making the same mistakes because we continue to do the same things: elect the same people, maintain the same political

framework, and adhere to outdated mindsets, laws, and regulations. As a result, nothing has changed. If we continue to operate in this manner, we shouldn't be surprised when we end up with the same results. This holds true in the past, present, and future - where we find ourselves right now - because nothing has changed on the ground.

In fact, the consequences of corruption are worse now than they were in 2019.

Is it worse, or is it just more obvious? There has been a growing awareness among the Lebanese population regarding corruption in the last 10-15 years. If we go back 15 to 20 years ago, not many people spoke about corruption. It was only after the withdrawal of the Syrians in 2005 that we started hearing more about corruption, how decisions are made in Lebanon, and what is truly happening. Now, it has reached a point where it cannot be hidden anymore. Not only has the world changed in terms of communication and technology, which allows us to share information more easily, but it has also become more difficult to conceal what is happening today. The scale of corruption has undoubtedly increased over time, but the realization of it has also significantly grown. It's like saying we have more cases of cancer today. No, we just have better diagnostic abilities to detect cancer. That's why we see higher numbers of cancer cases.

In essence, corruption has always been very potent and present, but it was much easier to conceal in the past. The spotlight was not on it, and citizens didn't have the technology to easily share information. Many factors have contributed to this realization and increased awareness of corruption on a higher level. For example, if you look at the culture of the young generation, there is this new element in the population that is outspoken and seeks change. They express themselves much more than they did 10-15 years ago.

**6. Question:** How did corruption lead to where we are now, and how do you explain the endemic corruption in Lebanon? What enables corruption?

I think that is a complicated question within the context of Lebanon because you have to consider a variety of factors.

Firstly, from a systemic perspective, when you lack an independent judiciary, it compromises the ability for the rule of law to exist. So, this is a major challenge that needs to be addressed for any meaningful change in Lebanon. The judiciary needs to become independent, which is not the case today. Currently, you can find good judges and bad judges, but the goal should be to have no bad judges. This can be achieved by making the judiciary independent, allowing them to recruit or dismiss their own judges, providing them protection, and ensuring they have a salary that allows them to be independent and not reliant on certain individuals.

Another aspect to consider is the sectarian nature of politics, which is a major source of corruption. Instead of acting in the best interest of the state, decisions are often made based on the interests of different communities. Bargains are constantly being made between these communities, and when agreements cannot be reached, it leads to the paralysis of the country. Everything becomes a shared pie, including resources like electricity, water, positions in public administrations, and even seats in major institutions such as the presidency and parliament.

As long as we continue to think in this manner, we will never be able to prioritize the macro-interest or have a national vision. Other countries that were once considered less advanced than Lebanon 10-15 years ago have now surpassed us because they have vision, leadership, and a good level of integrity in their leaders and actions. They plan for the years to come, have the necessary organization and financial means to make it happen. Lebanon, being a small country with abundant natural resources, great geography, and tremendous human potential, has the means to achieve a lot. It would be relatively easier to turn Lebanon around compared to larger countries with tens of millions of citizens. However, the major obstacle we face is the cancerous political leadership and the nature of our political framework, which only divides us instead of bringing us together and fails to serve the national interest. This framework encourages leaders from different communities to seek advantages over others, even through corrupt means, knowing that the law cannot touch them. They are free to do as they please.

When you consider the combination of these factors, they become the two main reasons for the system in which we live. We have a system that enables such behavior from our leaders.

- 7. Question:** Apart from the people in power and the political framework, do not you think the population has a part in corruption being deeply rooted? It is really important to see corruption from the angle of culture. Do you agree with that?

We have to be careful here; we cannot say that a culture is corrupt. What we can say is that a culture is prone to corruption due to customs or leadership within that culture. In our culture, there is an approach where paying a bribe might result in quicker service or obtaining something that we are not entitled to. It depends on who you know and the means you have at your disposal. So, in response to your question, there is no doubt that this element exists, but it can be changed. The only constant is change, and culture also evolves over time. Therefore, it is not the real obstacle.

The question we should be asking is why our culture is like this. It is due to the fact that it is ingrained in our culture to give or receive extravagant gifts without questioning and to use our connections to gain advantages that others may not have. Why is this the case? It is because we lack leaders who tell us: "This is not the best way to behave; this is how you should behave. And

look, I will set an example, and if I make mistakes, I will be held accountable, just like you will be held accountable." We lack this kind of leadership.

Let's consider a small example in Lebanon: around 2008, when Me. Ziad Baroud became the Minister of Interior, one of the things he did was enforcing the seatbelt law and prohibiting talking on mobile phones while driving. He was consistent in his approach, but when he left, the enforcement dropped back to zero.

To explain culture in a mathematical equation, one of the officers at the IFC who developed the curriculum for Corporate Governance for companies presented a formula: Culture = (procedures + rules) ÷ time. Procedures and rules become the norm and dictate how people function within a system over time. By introducing and consistently implementing procedures and rules as leaders, they become ingrained in the culture.

In Lebanon, we do not only lack the right procedures and rules that need updating, but we also lack the right leaders to drive cultural change. Consequently, we end up with the culture described earlier. We are far from a situation where politicians are held accountable in Lebanon. In the past months, the judiciary has summoned ministers and the governor of the central bank, yet these individuals believe they do not have to comply. If this happened in France, the USA, or Germany, the police would apprehend them and take them into custody. But in Lebanon, they can do whatever they want, sell assets, travel freely, and remain untouchable. Until this changes, nothing will change.

So, who is responsible for making that change happen? It is us, as citizens. We need to have a sense of self-determination and envision the country we want. If we do not stand up and say no, if we do not take the necessary actions, we will continue to be taken for a ride. They are manipulating us along sectarian lines, but ultimately, it is a struggle between them and us. People need to realize this more, and I wonder how much worse things need to get before people stand up and take the necessary actions.

Currently, we are facing one challenge after another, and our leaders have not made the right decisions or taken the necessary actions in any of these challenges. At some point, we need to move and do something.



8. **Question:** After exposing the situation in Lebanon through the angle of corruption, and as we can see many associations and NGOs have begun the fight against corruption. In your opinion, is this the right way to fight corruption? And if not, where and how does the fight against corruption start?

First of all, I believe it is taking a long time to witness collective action in Lebanon, and it's great that we are finally starting to see it. I'm noticing leading NGOs in this field working together in ways they never have before. In the past, this was one of our weaknesses because collective action makes a significant difference, whether among NGOs or in the private sector. This is a positive development. However, we may need to reevaluate the tactics we are using. We have had some successes, such as the approved laws that are yet to be implemented. The fact that they were approved by the parliament is a step in the right direction. Therefore, it wouldn't be correct to say that nothing has been achieved. I would rather say that not enough has been accomplished or that it's too little, too late to avert the crises.

So, the question is: why have we reached this point of too little, too late? I believe it goes back to what we discussed earlier. One of the areas where we have truly failed, whether as individuals, NGOs, or collectively, is in developing tactics and approaches that allow us to name and shame the leaders and put pressure on the key decision-makers in our country. We have not been able to hold them accountable or influence them to do the right thing.

How can we change this? Should we continue with our current approach? I think what we really need is new leadership. We cannot remain neutral anymore. When we identify someone as corrupt and rotten, we should not collaborate with them. Instead, we need to label them as such, make a lot of noise about it, and actively oppose every decision they make until they step aside.

Certainly, this is not what we have been doing so far. We have been too passive, and we need to adopt more aggressive tactics because the approaches we have used until now have yielded too few results and have come too late.

9. **Question:** How would you describe the role of the private sector in the fight against corruption? And would it be possible for the sector to sustain if there is no public sector or political will to fight corruption?

Concerning the first part, there are two main roles that the private sector can play, which also ties into what we were discussing earlier.

The first role is getting your house in order. The more companies in Lebanon that are well-governed, the more stable our economy will be, without a doubt. It is not only good for your own

company but also beneficial for the overall system in which your company operates. Therefore, it is crucial to put your house in order through effective good governance frameworks.

The second role is collective action. It is much harder for a single company to refuse a bribe compared to when that company joins a whole sector in saying no. This can be achieved through associations like ACAL (for the insurance sector) or RDCL, among others. Thus, collective action in the private sector is also a key role to play.

So, first, put your house in order, and second, collaborate with others who share the same aspirations and mindset about what our economy should look like. Amplify your voice by acting collectively with other corporations, business associations, and so on.

Regarding the second part, yes, it is possible for the private sector to sustain itself. Look at the private sector now - it is remarkable. Currently, it is the only thing keeping the country afloat. The private sector serves as the sole job creator in the country and provides a form of social aid apart from foreign aid, including support from successful businessmen and philanthropists within Lebanon. Therefore, not only can it sustain itself, but it is also preventing a complete collapse of the country.

Can it continue without political will? Yes, it can continue as it is now. However, the private sector has regressed in the sense that Lebanon's Gross Domestic Product (GDP) is significantly lower than it was five years ago. Nevertheless, this does not mean that the private sector disappears.

So can it achieve sustainable growth in its current state?

No. It can sustain itself and find ways to weather the storm or adapt. However, sustainable growth in the private sector requires political will to fight corruption. The rebuilding of the economy and the expected reforms in the upcoming years, under any reform plan, are strongly related to combating corruption. There is no doubt about it.

**10. Question:** What, in your opinion, are the tools that enable accountability and transparency to flourish?

I believe there are many factors that come into play, but there is one factor that must be prioritized, and that is law and order as stated previously. It begins with having an independent judiciary. How can we hold someone accountable if they are not acting responsibly? The answer lies in a legal approach. There must be legal consequences and liability. The first step is to establish the ability to implement and defend the legal and regulatory framework. Then, we can focus on improving the framework itself, including updating existing laws such as the law on global commerce. Additionally, there are other laws that need to be developed, approved, and

implemented, such as e-governance and whistleblower protection (which has been approved but not implemented), as well as access to information (which can be implemented but is not being fully implemented by all relevant ministries across borders).

These are different tools that will help increase accountability. However, it is crucial to start with the ability to implement these laws. We can have the best laws in the world, but if we cannot effectively implement them, they become ineffective.

**11. Question:** To top it off, are there any palpable results of the fight against corruption? If yes, what are the achievements in Lebanon? If not, why are there no tangible results of this fight?

There have been some achievements. The fact that there is a high sense of awareness about corruption is itself an achievement. We cannot change the situation if we continue to live in denial. The first step is to acknowledge that it is not okay and that it needs to change, and more and more Lebanese are accepting that.

Another progress is the approval of some of the laws we mentioned before. So it is not correct to say that nothing has happened; it is just that progress has been too little and too late in my opinion. The fact that certain aspects of the new legal and regulatory framework needed to fight corruption are starting to take shape is also a positive development. However, the reason we are unable to push further is evident: the lack of leadership and the absence of state institutions that can effectively function, starting with an independent judiciary.

So, it is important to acknowledge that there has been progress in raising awareness and initiating the construction of this legal and regulatory framework. Engaging with youth to sensitize future generations about its importance is also a positive step. However, the real impact we seek will not be achieved without effective leadership and an independent judiciary. This is why we have not seen significant results thus far, as these two key aspects are lacking.

As civil society, the question we have to ask ourselves is: What can we do to create them? What kind of programs and activities can we implement to encourage movement in that direction? There are many things we can do. By being creative, well-organized, and increasing our chances of success, we can make a difference.

Civil society has become adept at monitoring and acting as a watchdog over government decisions. The recent incident with the airport terminal is an example of this. Civil society is effectively monitoring the decisions made and the progress in that situation. However, what is the ability of civil society to actually sabotage the contract? That is the kind of tactic I am referring to. Civil society should work collectively in Lebanon to sabotage that contract. This goes beyond

monitoring; it entails actions that are non-violent, in the interest of the state, and solely aimed at sabotaging the contract in one way or another.

Just like what happened 3-4 years ago with the "Bisri Dam" file?

Yes, exactly, that was sabotage. It took a long time, but it worked.

But how did it happen? It was not the government that sabotaged it; it was the citizens. As citizens, we have to speak up, express our desires, fight for them, and defend them. It is our right and obligation to do so. And this is what is lacking. So, it's not enough to say that it's just the government; it also involves the citizens. Citizens need to hold their government accountable, make their voices heard, and civil society serves as a conduit for them.