Solidere: The Battle for Beirut’s Central District

by

Tamam Mango

S.B. in Management Science, S.B. in Planning
Massachusetts Institute of Technology (2003)

Submitted to the Department of Urban Studies and Planning
in partial fulfillment of the requirements for the degree of
Master in City Planning

at the

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

February 2004

© Tamam Mango, MMIV. All rights reserved.

The author hereby grants to MIT permission to reproduce and distribute publicly
paper and electronic copies of this thesis document in whole or in part.

Author ............................................................... !
Department of Urban Studies and Planning
December 15, 2003

Certified by ...............................................................
Robert M. Fogelson
Professor of Urban Studies and Planning & History
Thesis Supervisor

Accepted by ...........................................................
Dennis Frenchman, Professor of the Practice
Chairman, Master in City Planning Committee
DISCLAIMER OF QUALITY

Due to the condition of the original material, there are unavoidable flaws in this reproduction. We have made every effort possible to provide you with the best copy available. If you are dissatisfied with this product and find it unusable, please contact Document Services as soon as possible.

Thank you.

Best copy available.
Solidere: The Battle for Beirut’s Central District

by

Tamam Mango

Submitted to the Department of Urban Studies and Planning
on December 15, 2003, in partial fulfillment of the
requirements for the degree of
Master of City Planning

Abstract

The Beirut Central District was destroyed during the Lebanese Civil War which extended from 1975 to 1990. Unable to reconstruct the center itself, the Lebanese government turned to a private Real Estate Holding Company (REHCO), known by the acronym Solidere, to take over the task of rebuilding. In 1991 Solidere was granted expropriation rights over the Beirut Central District area, a space of approximately 150 hectares. The government’s decision to mandate such a large private-to-private transfer was a controversial one that was unprecedented in Lebanese development history.

Solidere has been characterized by two very different views. The company’s proponents attributed the reconstruction of the city center solely to Solidere. The opposition denounced the firm as an illegal assault on property rights.

This thesis traces the company’s history. Its survival strategies, in terms of securing government endorsement and gaining public approval, are discussed. Solidere is examined through the lens of secular property rights, evaluating the firm in terms of the two conditions of contribution to the “public benefit,” and the compensation provided to the original property owners. Solidere’s case is also explored in the context of Islamic property rights, focusing on the concept of waqf. The thesis concludes by abstracting from Solidere to the broader concept of a REHCO, and begins to ask the necessary questions to develop a framework for the successful implementation of this development model.

Thesis Supervisor: Robert M. Fogelson
Title: Professor of Urban Studies and Planning & History

Thesis Reader: Ralph A. Gakenheimer
Title: Professor of Urban Planning
Acknowledgments

I would first like to thank my advisor, Professor Robert Fogelson. Prof. Fogelson made my life at MIT as easy and pleasant as possible. He really made each year I spent at DUSP enjoyable. He is a terrific thesis and academic advisor- the best I could have hoped to have.

Prof. Gakenheimer, my reader, gave me detailed and insightful comments on my draft, and allowed me full access to any of his files for my research. He was always available, especially early on during my thesis writing experience, to help brainstorm possible topics.

I would also like to thank Prof. Khoury for taking the time to write me recommendations for travel grants, and Prof. Rein for helping me come up with a good topic.

I couldn’t have written this thesis without the help and cooperation of the people I interviewed in Beirut. I would like to thank Rayaa Daouk, Ovadis Hemilian, Angus Gavin, Mohammed Moghrabi, Constantine Doumani and Abdel-Rahman Solh, for not only taking the time to talk to me, but also being very generous in the information they were willing to share.

Of course, my parents for being supportive throughout the entire process, helping me contact people for interviews, and always being ready to answer any of my questions. Galia, my sister, for scanning in pictures, helping me set up printers, and keeping my spirits up. Khalo Mimo, who generously helped me get around Lebanon and enjoy the experience, and Zein who not only offered to edit, but also sent me funny articles to keep me entertained while I wrote.

My friends, Apara, Filip, David, and Andrew for putting up with me while I wrote my thesis, and spent less time doing fun things with them than I should have. And Cyndi –even though you’re in California, you’ll always be my roommate.

Everyone at DUSP who took the time to talk to me about my topic, and encourage me as I wrote it.
“Beirut has died one thousand times, and been reborn one thousand times.”

- Nadia Tuéni, *Twenty Poems for One Love*
## Contents

1 Introduction 11  
  1.1 A Levantine Home 11  
  1.2 The Implications 16  

2 The Civil War and the Destruction of the City Center 21  
  2.1 The Paris of the Middle East 21  
  2.2 The Civil War and the Center 25  
  2.3 “We Need to Rebuild the Center!” 26  

3 1977-1991: The Beginnings 29  
  3.1 The First Plans: 1977-1983 29  
  3.2 Oger-Liban and Dar al-Handasah Plan of 1983 32  

4 The 1990s: Enter the REHCO 39  
  4.1 The Problems 39  
  4.2 The Options 45  
  4.3 The Solution 47  
  4.4 How Did the REHCO Get Approved? 49  
  4.5 What the Law Meant and Other Events 56  

5 1991 Onwards 63  
  5.1 After Law No. 117 63  
  5.2 The Master Plan 67  
  5.3 The Appraisal Process 70  
  5.4 Shares and Their Subscribers 73  
  5.5 Solidere's Strategies for Widespread Acceptance 76
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Secular Property Rights</td>
<td></td>
</tr>
<tr>
<td>6.1</td>
<td>Private Property</td>
<td></td>
</tr>
<tr>
<td>6.2</td>
<td>The Ideals of Secular Property Law and Expropriation</td>
<td></td>
</tr>
<tr>
<td>6.3</td>
<td>Solidere and the Public Benefit</td>
<td></td>
</tr>
<tr>
<td>6.4</td>
<td>Solidere and the Private Benefit</td>
<td></td>
</tr>
<tr>
<td>6.5</td>
<td>Compensation</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Islamic Property Rights</td>
<td></td>
</tr>
<tr>
<td>7.1</td>
<td>The Concept of <em>Waqf</em></td>
<td></td>
</tr>
<tr>
<td>7.2</td>
<td><em>Waqf</em> and the City Center</td>
<td></td>
</tr>
<tr>
<td>7.3</td>
<td>The Elyssar Project</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>The Solidere Model of Development</td>
<td></td>
</tr>
<tr>
<td>8.1</td>
<td>Solidere as a REHCO in Beirut</td>
<td></td>
</tr>
<tr>
<td>8.2</td>
<td>Abstracting to a Model</td>
<td></td>
</tr>
<tr>
<td>8.3</td>
<td>The Real Estate Holding Company</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Conclusion</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bibliography</td>
<td></td>
</tr>
</tbody>
</table>
List of Figures

3-1 The Beirut Central District as Sketched in Early Plans ..................... 36
3-2 Demolition in the City Center ........................................ 38

4-1 An Impression of the New Image for the City Center ....................... 53
4-2 Wide Boulevards and Tall Buildings ..................................... 54

5-1 A Detailed Map of the Master Plan for the Beirut Central District ...... 82
5-2 Opposition Brochure: "Pity the Nation Whose Heart is Ripped Out and Does Not Revolt" ......................................................... 83

6-1 Ayman Trawi's Before and After Pictures ................................... 95
6-2 Pot-holed Building ......................................................... 96
6-3 The New City Center ....................................................... 101
6-4 A Solidere Logo - The Arabic Text for "Beirut" .......................... 105
6-5 Solidere's Stock Prices ................................................... 112

7-1 Religious Institutes Beirut Central District ................................. 119
Chapter 1

Introduction

1.1 A Levantine Home

On what seemed an ordinary Wednesday morning, on the 4th of May 1994, Ovadis Hemilian settled down to read his daily newspaper Al-Nahhar. From his third floor window, Hemilian had an unobstructed view of Beirut’s Central District. Before the war, Hemilian, his wife, and their three children had loved the center’s nightlife, its bustle, and its architectural splendor. During the fighting his family had been forced to watch helplessly as building after building collapsed as the sixteen year Civil War destroyed the very heart of Lebanon’s capital city.

The Armenian-Lebanese Hemilian had lived on the edge of the Central District, in Zoqaq al-Balat, facing the Serail, for his entire life. He was the third generation of his family to reside in his grandparents’ Levantine three-story house that had astonishingly escaped the war almost undamaged. During the war, unable to find fulfilling opportunities in Lebanon, his two sons had migrated to the United States and his daughter to Australia. But Hemilian was sure that they would one day return to inherit their beautiful ancestral home – the only real source of wealth for the Hemilian household.

In Hemilian’s backyard was a white marble fountain, almost two hundred years old, surrounded by thirty trees that had been planted by Hemilian’s parents. The top two floors were the living quarters and were decorated with an impressive collection of paintings and furniture accumulated by Hemilian’s parents and grandparents. The ground floor was Hemilian’s workplace. As a prospering clothier he had commissions from half the public schools in Beirut to make uniforms, and was a well-known supplier of clothing to the
wealthier residents of the city.

On that Wednesday morning, as Hemilian paged through the paper, he found himself staring at an unsettling advertisement. The half-page announcement described the reconfiguration of the property boundaries around the Beirut Central District. Hemilian’s house, on 122 Maurice-Fares Street, not traditionally considered to be located in the city center proper, was now part of what the advertisement defined as the new Beirut Central District. Naturally, upon receiving such news, Hemilian’s first concern was about what such a measure would do to land value and property taxes owed.

As Hemilian read on however, he realized that this change did not affect either of those factors. The redefinition of the boundaries, instead, simply placed his property under the jurisdiction of the advertisement’s originator—Solidere. Hemilian was familiar with Solidere, the French acronym for the privately owned Real Estate Holding Company—the Lebanese Company for the Development and Reconstruction of the Beirut City Center. In fact, the company was the talk of the town, everybody was familiar with Solidere. While redevelopment is not generally a new and trendy topic (nor does it frequent the front pages of newspapers of an entire region for well over three years) Solidere had somehow managed to capture the attention of the Beiruti population, from teenagers to retirees alike.

After the Civil War, unable to reconstruct the destroyed city center itself, the post-war Lebanese government had charged the privately owned Solidere, with assembling the necessary finances and leading the redevelopment process. Had the governments commission to Solidere stopped here, the project would have remained just another boring redevelopment plan, one among hundreds all across post-war Lebanon. What made Solidere so infamous and exciting was that, as part of its charge, Solidere was granted the right to appropriate whichever public or private lands it deemed necessary to ensure the completion of its projects.

As Hemilian read through the advertisement, he realized that his property was at that very moment no longer his, but was considered part of the holdings of Solidere. The title of his land, with no active participation on his part, had been transferred to a private company.

Immediately upon consulting his wife, both the Hemilians went down to Solidere Headquarters to contest the decision, still in disbelief at the ease with which their ownership had been converted.
By an incredible stroke of luck, the Hemilian property had not been destroyed or even damaged during the war. There needed to be no reconstruction on the premises, and since Solidere was a redevelopment firm it seemed illogical to the Hemilians that the title be transferred for purposes of rebuilding.

The visit to Solidere Headquarters served no purpose but to register the Hemilians' complaint. It left the couple in a state of confusion and worry as they were given absolutely no advice on how to contest the matter. The Hemilians did contact a lawyer, but as the complaint had already been registered with Solidere, there was no court that would hear the matter before a final decision had been taken by the company.

On the 6th of January 1995, the Hemilians received a letter from Solidere advising them on the “Conditions of Recuperation” that they were obliged to fulfill if they wished to retain ownership. The letter left the couple shaken; the Hemilians were ordered to pay the sum of $250,0001 to the Solidere Corporation if they wished to preserve ownership rights over their home. Though the Hemilian property was in need of no repairs, the sum demanded was the required toll for recuperating Beirut Central District properties that had been appropriated by the firm.

Hemilian was shocked at the figure. His business had been relatively successful, though stunted by the long years of war, but his liquid assets could in no way cover the entire amount. The Armenian couple discussed the figure and realized they had no alternative but to request the help of their expatriate children and ask them to transfer the necessary funds. The tightly knit family managed to put together the required sum, and pay the company for retention of their title.

Hemilian relaxed after the payment was completed. He resolved to work hard at furthering his business and repay his children for their kindness. However, on the 20th of March 1995, the short period of calm experienced in the Hemilian household ended when a red warning notice from Solidere was delivered to their front door.

The company had given Hemilian a two-week notice based on the complaint that the Hemilian property was preventing the installation of a traffic light on the street adjacent to the home— a matter which Hemilian and the city had already settled in court twenty years earlier. Ten days later, and after consultation with his lawyer, Dr. Mohammed Moghrabi,

---

1After the Civil War Lebanon reverted to using U.S. Dollars as a medium of exchange as its own currency, the Lebanese pound, was plagued by inflation and inherently unstable
Hemilian replied to the letter and advised Solidere that the matter was out of their jurisdiction since the case had previously been settled with the city. Indeed, Moghrabi, a renowned Lebanese lawyer and graduate of the Columbia Law School in New York, assured him that the law was on his side and the company was powerless, especially since the Hemilians had paid the required fee and the company had resigned the property under their name.

In response to this letter, the couple received hostile notices almost daily, and Solidere representatives frequently visited their home and threatened them with imminent eviction. This aggressive campaign lasted almost three years until early August 1998.

On the 8th of August 1998, a lazy Beirut Saturday, the traditional day off for government employees, the Hemilians sat in their dining room enjoying a light lunch. A little earlier they had noticed that their telephone line was dead, but did not pay too much attention to the matter, after all this was Beirut, and power outages were not uncommon.

As the Hemilians dined, without any warning, a group of forty men barged through their front door. In the group were twenty police officers, and twenty Solidere “strongmen”. The pair, both in their late sixties, were grabbed dragged down two flights of stairs to be thrown into the street. The couple then watched helplessly as their belongings, the antique furniture, the sewing machines and cloth, their paintings and their clothing were removed by the force and carted away, as they later discovered, to be stored in a Solidere depot. Their main entrance was sealed with rocks, and a “Solidere” notice was placed in front of the property.

The couple contacted their lawyer immediately. Mrs. Hemilian’s left leg had been injured during the ordeal, and the couple was in need of shelter and medical attention. Under Moghrabi’s advisement, the pair carefully preserved documentation from the doctor’s visit and kept receipts and photos of their appropriated belongings.

The Hemilian children returned to help settle their parents into a new home in East Beirut. After adjusting to his new surroundings, Hemilian sought out, and joined forces with, other property owners in the Beirut Central District only to discover that their experiences with Solidere were, in some cases, even less agreeable than his own.

Hemilian and his lawyer immediately filed a complaint in civil court claiming personal injury by the firm and demanding the return of the property that was luckily still in prime condition. However, many of the other property right holders had already had their buildings destroyed by Solidere bulldozers, so there was very little to recover. Some, due to
financial restrictions, found it necessary to accept the minimal compensation offered by the company for the property and in exchange were forced to sign away all of their old ownership rights. Others could not afford to pay the recuperation fee as the Hemilians did, and so lost their holdings to Solidere as a result.

These injured property right holders banded together to form a coalition named the “Beirut Commercial District Property Right-Owners Association” initially headed by the Daouk family, prominent land-owners in the city center. Along with many religious and financial institutes in the city center area, the “Beirut Commercial District Property Right-Owners Association,” prepared to fight what they viewed as an illegal assault on private property assured by the Lebanese constitution. The group felt betrayed by the legal system that allowed for the transfer of their lands from their own private possession to another private entity, which as far as they could tell, was working towards no more public interest beyond profit-making than themselves. Moreover, under Solidere’s Articles of Incorporation the property right holders would receive compensation in the form of shares in the firm, a method of payment that the group complained was wholly inadequate.

In total, the government’s charge, ratified by Law No. 117, passed on the 7th of December 1991, included granting Solidere the right of expropriating 160 hectares of land from the Central District, and the right to reclaim 46 hectares of land on the sea front. Indeed by 1994, Solidere had acquired land from well over 40,000 landowners in the city center, and continued to do so well into 1999. The city center that had historically covered close to 80% of the municipal area of Beirut was now under the jurisdiction of one private firm.

In fact, by the end of 1999, and certainly still today, the traditional names of Bab Idriss, Souk Ayyass, Khatayan and Khan Antoun Bey, historically associated with Beirut’s Central District began to disappear from popular vernacular. The area that older generations of Beirutis referred to simply as “the city,” younger generations now commonly call “Solidere.”

Hemilian now lives in a small apartment in East Beirut, on Talat Gemayil. Since his machinery and material were destroyed, he has been unable to restart his business. His wife rarely leaves the new apartment, both as a consequence of her injury, and her fear of the “new Beirut” she lives in. She timidly points out to anyone who will listen that the sixteen years of Civil War and constant fighting had not injured her family as much as the first few months of peace and reconstruction did.

Visiting his old home, for which he has not yet received compensation, nor been refunded
the $250,000, Hemilian is hurt to see the crass red lettering of "Tagmosh," a new car-dealership, on the front of his house. The fountain and trees have disappeared from the backyard, and there looks to be the start of new foundations being dug there.

Hemilian often wonders how this happened. How in Lebanon, thought to be a beacon of democracy in the Middle East, and a role model for countries in the region, a private corporation was allowed to appropriate lands that traditionally only the eminent domain powers of the government could acquire. His last comment on the situation, as he shook his head sadly last August was, "Not even under military rule in the eighties would the citizens of Turkey have expected treatment like this."

To this day, Hemilian’s case has not been heard before a Lebanese court, and no ruling has as yet been handed down to resolve the case and return either his property, possessions, or the $250,000 he initially paid to Solidere to retain ownership.

1.2 The Implications

When Ayman Trawi, a renowned Lebanese photographer, described the city center reconstruction project undertaken by Solidere, he did so with pride. He extolled Solidere’s motto “Beirut: An Ancient City for the Future” and exclaimed, “the doors of Beirut are flung open once again, and the city is getting back all the signs of modern culture and civilization that were missing for so long.”

Local and foreign media also gave an unusual amount of attention to the Solidere project. From The New York Times, to The Economist, to The Washington Post, international newspapers described the BCD reconstruction initiative. These publications regularly featured Beirut’s building efforts in “more or less sensational stories.” The Lebanese government was pleased with the progress made on the development of the city center, and other Middle Eastern governments sat up and paid attention to the new construction model being used in Lebanon.

To this end, the effects of the Solidere story reached far beyond the immediate loss of property by the original title holders in the Beirut Central District. After the Solidere project began, and in the midst of its seeming success, another project was proposed and

---


approved by the government to reconstruct Southern Beirut, under the name “The Elyssar Project,” also through the mechanism of a private Real Estate Holding Company.

The “success” of Solidere, in terms of its revenue-generating component established a new understanding of land tenure throughout the Middle East. “Construction capability” was soon labeled one of Lebanon’s most valued commodities. In fact, a recent report on the state of the Lebanese economy claimed, “total management companies” had become a substantial Lebanese export. The idea of a private Real Estate Holding Company (REHCO) with the right of expropriating land was employed in Arriyadh, Mecca and Medina in Saudi Arabia; Aqaba and Al-Abdali in Jordan.

While the impact of REHCOs is still unclear throughout the entire Middle East, in Lebanon it is fair to say that Solidere affected two separate sets of property rights. The first set were the rights defined by Islamic property law. These rights are comprehensive when it comes to dealing with the holdings of Muslim individuals and institutions. The shari’a or, Islamic law, dictates certain rules of use, sale and inheritance. The Lebanese government was, some of these institutions claimed, violating a sacred law by agreeing to grant expropriation rights to a private firm. By agreeing to the Solidere project, the government threatened to alienate the more traditional Muslim residents and Islamic institutions in the Central District.

The second set of rights stemmed from secular law. The idea of granting the right of eminent domain to a private firm was unprecedented in the Middle East. The precedent that came out of the legal battle between property owners and the firm is crucial to study not only because it established a development model empowering large private real estate companies throughout the region, but, it also created a precedent for the balance of Islamic and Secular law in Middle Eastern courts and governments.

Within the realm of secular property rights the case of Solidere is especially important to examine because appropriation rights granted to a private investor are independent and analytically distinct from eminent domain exercised by the government. The regular stakeholders of landowners and entrepreneurs are present, but their rights and obligations are different. Landowners in the Real Estate Holding Company scenario may be obligated to relinquish ownership rights for an uncertain financial future. The entrepreneur is in a

---

4 Exportable Expertise. *Insight*, April, 2002
position of greater leverage, though with more risk, and the government adopts both the roles of “coordinator and adjudicator”\(^6\) to the entire process.

The existence of REHCOs also has consequences on the power structure external to the immediate stakeholder circle usually associated with eminent domain. The private real estate company receives enormous amounts of political leverage and legal power over the specified area. Rafiq Hariri, the founder of Solidere, elected Prime Minister of Lebanon in October 1992, is only one example of this increased influence in the public sphere.

The Solidere question also feeds into the larger issues about the privatization of cities. Given that many developing countries are now turning to the private sector to solve some of their infrastructural problems, a discussion of the soundness of certain aspects of privatization within the Real Estate Holding Company model is necessary.

Ultimately, the hope is that by studying Solidere’s story, we can learn something about Beirut, something about Lebanon, and even something about urban development in the Middle East. And, by looking more closely at what has become a very celebrated project at the government levels, perhaps we can learn a little more about the politics and history of implementing large urban projects in the region.

To many people, simply looking at the devastation of the city center, the rubble, the countless refugees, and the garbage piles that existed after the Civil War made Solidere’s existence acceptable. To observers of the “before” and “after” periods, the timely transformation of the Central District from a haunted deserted area to what can be called a global city center, especially when contrasted with the rest of the Lebanese reconstruction effort, was nothing less than remarkable. Many Lebanese genuinely felt, and feel, that “Lebanon need[ed] a man of [Hariri’s] stature to resurrect a dead city,”\(^7\) and that, as Fadel al-Shalaq, president of the Council for Development and Reconstruction, and president of the Hariri Foundation, claimed in an interview, “certain formal procedures need to be sacrificed to solve the major problems which cannot be solved by regular, traditional, democratic means.”

Indeed, Solidere achieved most of its goals swiftly. It created more than 5,000 construction jobs and aimed to establish more than 100,000 permanent jobs in a period of about twenty years. Buildings were renovated, and tourists and residents alike returned to


\(^7\)Interview with Abdel-Rahman Solh, Director for Contracts and and Tendering at Solidere, July 2003
the Central District area. The project was so successful that the Solidere Board began an aggressive advertising campaign promoting “Exportable Urbanism.” The Hariri firm was proud of what it offered, a private initiative solving the government’s financial difficulties, and developing infrastructure on a rigid and fast schedule. The idea of a private Real Estate Holding Company was picked up by the Egyptian Sameer Saweeres, who then planned the little town of Al-Goona (designed primarily as a resort, but complete with a school, hospital, and airport) by means of such a firm. The Aqaba region of Jordan has begun a similar scheme, having entire portions of the new development of the city (planned for about 200,000 residents) paid for and developed by a packaged private sector initiative.

To many observers, Solidere’s fame is well deserved. In their opinion, the company almost magically transformed Beirut’s Central District. Ayman Trawi said of the Solidere rehabilitation effort:

Gone are the days when feelings of doom gripped the heart while one moved from the blown away center of Beirut towards its dividing lines, in order to steal a few camera shots with shaking hands.

Heading towards the city center from all over Lebanon, finally liberated from the burdens of war, the young people discover the renewed city center with the excitement and expectation of a marvelous adventure. They walk around its architectural jewels and modern shops, sit in its cafés, stroll along its new marina and visit its modern hotels, thus completing the symphony of elements of the harmonious whole that has become their city center.

Another observer of the process proclaimed, “tourists of Arab origins and other foreigners alike, gaze in total wonder at the spectacular rebirth of the Lebanese capital. “Switzerland of the Middle East,” “Gate of the Arabs,” “Crossroads of East and West.”” The labels that previously adorned Beirut have reemerged in literature, conversation, and the media, praising Solidere.

Angus Gavin, head of urban design at Solidere, authored *Heart of Beirut: Making the Master Plan for the Renewal of the Central District* where he described the Solidere project as “the most important undertaking in urban rejuvenation taking place in the world today,” and as “one of those rare opportunities in city-making and renewal.” In an interview last July he spoke eloquently of the many assets of Solidere’s plan, noting its sensitivity to topography, its judicious mixture of residential, commercial, and institutional amenities,

---

and its contextual architectural language.

Today, much of the former glory of the city center has been restored. The Solidere story has been publicized to the world as one where a private, profit-generating, REHCO was the miracle solution that rescued the city center from despair at no cost to the public sector.

But, in the midst of tourists, shops, and wide pedestrian sidewalks loom memories of the city center that once was. Something seems out of place. A phenomenon that Rayaa Daouk, one of the previous property owners, attempted to describe in our interview. She said, “the spirit of the center has deteriorated...it’s heart has been ripped out.”

Out of the story publicized to the world was left the genuine strife of the stakeholders involved in the process. The international media simply ran descriptions of the attributes and success of the Solidere story. And even today in academia when the concept of the Real Estate Holding Company is examined, the fact that property rights are overhauled and redefined in the process is mostly simply relegated to a bullet point under the “cons” of such development models.

The real question of whether the Solidere model was actually the miracle solution and the “only response” to the situation, has yet to be adequately explored. An examination of Solidere’s history, focusing on the roots of the company and its strategies, might help provide us with a more nuanced understanding of the conditions which allowed for the creation of this firm.

For where on the one hand there is efficiency, on the other there is equity. In stark contrast to the supporters of Solidere praising the new city center, Rayaa Daouk, a property owner in the Central District, laments what she calls, “the hold-up of the century.”

The underlying concepts of justice seem to be ill thought out for the REHCO development mechanism as employed in Lebanon. Taking a more comprehensive view of history than that offered by proponents of the company leads to very different conclusions about the overall effectiveness of Solidere. The ethical and legal implications in the case of Solidere, specifically those relating to the question of whether a government ever has the right to transfer ownership from one private entity to another on such a large scale, are part of what this thesis aims to examine. This unprecedented move is remarkable, and like the Hemilians we must ask, “how did this happen?”
Chapter 2

The Civil War and the Destruction of the City Center

2.1 The Paris of the Middle East

Beirut, Lebanon’s capital city, lies on the Mediterranean rim between the mountains and the sea. From the mid-19th century to the outbreak of the Civil War, Beirut flourished and experienced almost “uninterrupted” growth. As Lebanon’s principal coastal city, linked to Europe across the Mediterranean Sea, and to Eastern trade routes through Damascus, Beirut had maintained a strategic role for thousands of years as a gateway between East and West.

Beirut soon came to dominate the financial, cultural, and commercial life of the region. The city was in an ideal position to exploit the inflow of wealth into the Middle East after the discovery of oil in the Gulf. Between 1965 and 1975 Beirut’s population increased by about 66% from 331,000 to 551,000. Beirut was also a major cultural center with a number of distinguished universities attracting students from throughout the Middle East, while its theaters, institutes, and “cafés trottoirs” catered to tourists and “the region’s intelligentsia.”

Tourists from the Orient and Occident alike journeyed to Beirut. The sea and the mountains provided plentiful recreational facilities, and during the summer months, Beirut,

---


with its cool Mediterranean breezes, provided relief from the heat and aridity of the rest of the region.

Before the outbreak of war in 1975, Beirut enjoyed an undisputed role in the region as a commercial, cultural and financial hub. Its Banking Street, in the city center, was headquarters to financial institutions servicing Lebanon and the Arab world, and its deep-water port was a conduit for much of the maritime trade to and from the Middle East.

Pre-war Beirut was often referred to as the “Paris of the Middle East.” It was famous for its nightlife, beaches, ski-resorts, banks, and, of course, its city center. The Central District, known for its Levantine nature, was the heart of this “Paris,” and was widely referred to as “al-Madinah” – an Arabic phrase, meaning simply, “the city.”

The city center was host to ancient settlements on the Beirut peninsula for over five thousand years. The rapid growth of the city followed a radial pattern around the BCD which thus became its geographic and commercial center. The Central District was a focal point of employment within the city, where one in three of the workforce in Beirut and its outskirts were employed in its limits, mainly in commercial establishments, private businesses, and professional services.

At the turn of the century, neighborhoods within Beirut began to acquire a specific ethnic or religious identity, with Christians settling to the East of the city center and Muslims to the West. The center, however, retained its decidedly diversified character. As in many Levantine cities, the Beirut city center brought together a “thriving urban merchant class” of different religious and ethnic communities.

Some writers have argued that the heart of Beirut was “the most tangible translation and physical expression” of the Lebanese constitution that reinforced the basis of coexistence among all Lebanese. A mixed community of 40,000 lived in the city center and it was considered a microcosm of Lebanon’s multifaceted society. Thomas L. Freidman, *The New York Times* Foreign Affairs columnist, argued in his work *From Beirut to Jerusalem* that, in Beirut, the embodiment of the Levantine ideal was the city center:

---

The Levantine spirit of coexistence was both produced in, and reproduced by, the covered markets and stone-arched alleyways, the red-roofed houses and craft workshops, the arabesque Ottoman fountains and book-stalls of old downtown Beirut, woven around Riyadh el-Solh Square. In the Beirut city center seven thousand shops once stood shoulder to shoulder, with the Maronite cobbler next to the Druse butcher and the Greek Orthodox money changer next to the Sunni coffee seller and the Shiite grocer next to the Armenian jeweler. The Beirut city center was like a huge urban Mixmaster that took the various Lebanese communities from their mountains and villages and attempted to homogenize them into one cosmopolitan nation.  

As delineated by its main perimeter roads, the city center extended over an approximate area of 150 hectares. Respectively, from East to West and from North to South, it had a length of 1.5 km and a width of 1 km. In 1975 more than 100,000 people lived or worked in the center which covered a total area of 650,000 square meters. Roads, open spaces and squares occupied about 50% of the remaining space.

The city center was also a transportation hub where all bus and service-taxi routes originated and terminated. Trips to different parts of the city or the country more often than not were routed through the center.

As the center of government, the BCD was prominent in banking, financial services, insurance, maritime agencies, and other commercial office and trading functions. The Central District also accommodated local businesses, community, religious and other public institutions. The capital’s hotels clustered there, and built tall towers to take advantage of sea views. The souks and fine shops attracted a city-wide population as well as overseas visitors. In mass media representations and in the “collective imagination” of Beirut’s residents, the BCD represented the entire city; its “fate implicate[d], metonymically, the entire country.” As such it is impossible to tell the story of its reconstruction from any viewpoint unless the reader is able to imagine this place and its significance.

With the rapid growth of Beirut, the BCD became overcrowded and excessive strain was placed on its infrastructure. While the BCD did play an essential role in Beirut, with 80% of the commercial establishments and offices located there in 1950, this proportion declined to 42% by 1975. As the city center reached its limits of available space and capacity,

---

8. The population drop in the BCD was not simply a classic case of decentralization. The center was the convergence point of the various confessional groups. The hostilities during the war drove residents to mutually exclusive suburban areas
secondary commercial and entertainment areas began to emerge in Hamra, Raouche, Mar Elias and elsewhere in Greater Beirut. The Central District nevertheless maintained a clear centrality and dominance over the metropolitan area as the “government, retail, and regional banking center,” the “microcosm of the country’s religious affiliations,” and the “focus of the hotel sector and city nightlife”\(^9\).

The Central District did not serve a purely emotional purpose in Beirut, as an inter-communal meeting place; it was not simply seen as the geographical center of the city either. Ultimately the BCD was the historic center of one of the eastern Mediterranean’s principal urban settlements and a commercial and business center of metropolitan, national and global significance\(^10\). The District’s old souks and traditional buildings, surrounded by one of the “world’s most flourishing banking centers” and a series of luxury hotels equally attracted local residents and foreign tourists. Businessmen, shoppers and visitors from all parts of the city converged daily on the Beirut Central District to go to work, attend a show at one of the movie theaters, or connect to some other part of the city through the center.\(^11\).

While the BCD very obviously served an essential role in the city, it was only after its destruction that its five, very serious, functional purposes for the city surfaced and were spelled out in public dialogue surrounding urban issues. Firstly, the city center was a seat for various government institutions; it was home to the Parliament, and was the traditional location for many ministries and government offices\(^12\). Secondly, the BCD was a host for office functions and commercial activities; in 1974, 26% of its area was reserved for office space. Thirdly, the city center was a seat for retail and commercial activity. The many souks and shopping streets were famous in the Middle East, and the stores were considered as up-to-date as Parisian or Milanese fashion. Fourthly, the BCD was a host for tourism, recreational, and cultural uses -located on the seashore, it was the most prestigious location in Beirut. Lastly, the BCD was home to large residential communities. At the time the war broke out a third of its area was dedicated to housing. According to estimates prepared


\(^12\)Though originally many government offices and ministries were concentrated in the BCD many gradually moved out to other district of Beirut and its outskirts leaving the Ministry of Finance, the Serail, the Parliament and the Beirut Municipality offices in the BCD.
by the “Directeur Generale de l’Urbanism” and published in the *Livre Blanc, Beyrouth 1985-2000*, one of every forty-two individuals residing in the Greater Beirut area prior to 1975 lived in the BCD, and one of every sixteen individuals residing within the municipal area of Beirut, lived in the city center.

### 2.2 The Civil War and the Center

During the war that engulfed Lebanon between 1975 and 1990, no area was ravaged as brutally as the center of the Lebanese capital. Sixteen years of Civil War left little of the once vibrant city, with battles gradually bringing economic activity in the city center to a standstill. The area was no longer visited by shoppers and tourists. Banks, offices, institutions and trade moved away. The once bustling city center was, at the end of the war, nothing more than “wasteland”\(^\text{13}\) known only to wild dogs, rats, and snakes. The St. Georges Hotel and the Holiday Inn, on the edge of the center, frequented by Beirut’s rich and famous before the war, were famous fighting grounds for the different factions and lay in ruins. Nearly all the permanent inhabitants of the area moved away, and the center was resided only by squatters. Military barricades were set up and many of the vacant buildings were barricaded. “The City” was now bordered by sand and stone walls blocking off the major roads\(^\text{14}\).

The city center used to be the common space for all Lebanese before the war. During the war it became a buffer zone, dividing East Beirut from West Beirut. Since the center was not under the direct influence of any religious subgroup prior to the eruption of the war, it seemed it was “naturally destined to become their battlefield.” The damaged center provided a space, about 500 meters wide, which for more than fifteen years remained an emptied-out site marking the “graveyard of national dialogue and reconciliation”\(^\text{15}\).

As Thomas Friedman claimed in *From Beirut to Jerusalem* “if there was a no-man’s land during the fifteen months extending from June 1975 until September 1976, it was represented by the Central District.” Organized crime introduced new dimensions of theft in the “methodical plundering of safe boxes” in several major banks in Riyadh El-Solh (or

---


Bank) Street.

Any visitor to Beirut’s Central District in the early 1990s, after cessation of hostilities, would have witnessed scenes of “destruction, desolation and decay in the midst of a living city.” Broken drains overflowed in the streets, many of which were made “impassable from debris and overgrown vegetation, which supported wildlife.” Many areas were still mined and inaccessible, and buildings caught in the crossfire, along sight lines, grew more dilapidated.

2.3 “We Need to Rebuild the Center!”

During the war the Green Line, bordering the center, divided eastern Christian Beirut from western Muslim Beirut, creating a “difficult-to-mend fracture.” Questions of identity became the key issue in the process of reconstruction in post-war Beirut. Where to reconstruct, what to preserve, and in what way, became very important questions.

Following the end of the war the newly appointed post-war Lebanese Cabinet asked the Council for Development and Reconstruction (CDR) to draw up plans for rebuilding Beirut. The “heart of the capital,” specified by the cabinet in its public report, was the Beirut Central District (BCD) considered the “actual birthplace of Beirut,” with buildings dating back to the Byzantine, Mamluk, Ottoman and French Colonial periods. The decision to begin Beirut’s reconstruction with the Beirut Central District (BCD) “emerged as a must-do action for symbolic and socio-economic reasons.” Its planned reconstruction “[was] mandatory as it [was] perceived by all as the symbol of reconstruction for the whole country.”

Beirut’s population had “great expectations” for the initiative to rebuild the city center. After all, the Lebanese capital symbolized both the “peaceful coexistence” of the various denominational groups in the pre-war period and the “massive destruction and battles of the Civil War.” Thus, its reconstruction had a considerable significance not only for the economic future of the country, but also for its domestic policy. The condition of the Central District was so much equated with the image of Beirut that, in writing about the reconstruction of the city center, Angus Gavin, the head of urban design at Solidere,

18Elias Hrawi quoted in *Le Monde* 5th July 1990
titled his work [emphasis added] “Beirut Reborn.”

The Lebanese population, claimed Gavin, longed for “a complete return to normalcy in Lebanon and the reunification of the city of Beirut along the pre 1975 lines, in the sense that the Central Commercial District would become once more, and geographically at least, the heart of a bustling metropolis.”

It seemed that the project to rebuild and develop the Central District was destined to form an essential part of the full-scale reconstruction program in Lebanon. It was in the hearts and minds of the people a “keystone” of the overall reconstruction plans. There was a general euphoric feeling that the implementation period would be characterized by an economic recovery, albeit a gradual one which would “gather momentum” as spending on the BCD project proceeded.

As early as 1977, discussions concerning the reconstruction of the city center were taking place in the Parliament and Council of Ministers. It soon became apparent that the rebuilding initiative would not, by any means, be a straightforward process.

---


Chapter 3

1977-1991: The Beginnings

3.1 The First Plans: 1977-1983

During a lull in the fighting after the horrific events of 1975 and 1976, when Lebanon was believed to be on the road to recovery, the question of how to deal with the damaged Central District arose for discussion. Presuming the end of the war to be imminent, the Lebanese government, with the support of several interested local and French planning agencies, began to consider different proposals for the reconstruction of the city center. This preliminary planning experience at the start of the Civil War soon made it clear that the administration was too feeble to address the tasks of reconstruction. In response to the inadequacy of traditional government units to deal with redevelopment, the Elias Sarkis regime created the Council for Development and Reconstruction (CDR).

Established under Decree No. 5 of January 31st 1977, the CDR enjoyed an administratively independent status and was directly accountable to the Council of Ministers. Sarkis made sure to equip the CDR with the necessary tools to bypass all routine and normal regulations encumbering other governmental agencies. Indeed, by the 1990s, the CDR became one of the key institutions in the construction and redevelopment of the Beirut Central District. Released from conventional bureaucratic constraints, the agency was expected to perform its reconstruction tasks with the efficiency that was characteristic of the private sector in the Lebanese economy. To this end the CDR was conceived of as “an instrument to assist public institutions,”¹ to cut through red tape and implement public sector regulations

in a more timely and efficient manner. Ultimately its independent role and privileges would come to play an integral part in the decision to use a private company in the reconstruction of the city center.

The CDR, like other governmental agencies, worn down by the stresses of constant fighting, soon became too fragmented to be effective. For almost five years Lebanon was run by two parallel administrations. Public institutions received instructions from two distinct political heads. Nevertheless, during this time, two major planning efforts were made in Beirut and its outskirts. The first was the Master Plan of 1978 prepared for the Municipality of Beirut by the Aterlier Parisien d’Urbanisme (APUR) and issued under Article No. 1163 on April 15<sup>th</sup> 1978. The second was the Urban Master Plan for Beirut and its outskirts, or the Institut d’Amnagement et d’Urbanisme de l’Ile-de-France (IAURIF) Plan.

The APUR Plan marked the first serious public sector attempt at rebuilding the city center and was a culmination of an effort by the CDR and the APUR. As part of this initiative a committee was created, headed by the engineer Marty El-Namar, and was charged with overseeing the conclusion of the redevelopment studies. Soon after its completion, the plan was approved and went partially into effect. The plan’s emphasis was on the preservation of historical buildings and revival of commercial activity<sup>2</sup>. This first reconstruction plan was focused on ensuring the complete “reintegration of the center into the rest of the city’s urban fabric”<sup>3</sup>. As Jad Tabet, a leading Lebanese architect and planner, observed, it aimed to “remold the center of the Lebanese capital into a meeting place for the various communities,” while simultaneously “moderniz[ing] the center in an attempt to solve the serious problems of functioning and access Beirut faced before the war, while maintaining the specific image of its site, history, and Mediterranean and “oriental” character”<sup>4</sup>.

Since the damage done to Beirut’s Central District by 1977 was not extensive, the 1977 plan was able to adopt a more preservatory approach to maintain the city’s existing urban fabric than some of the later plans. The cost of reconstruction, based on public development reports, was manageable, and it was financially feasible for many independent property holders to restore their holdings on their own.

---

<sup>2</sup>It also implemented some of the recommendations of the 1973 Element pour un Livre Blanc.


In this plan special attention was given to the government’s role in restoring the infrastructure, and rebuilding the city center. The city was divided into manageable districts, each of which had an independent development plan. These proposals would be implemented through various methods, among which was the introduction of a public-private Real Estate Holding Company (REHCO). The plan proposed that the least damaged areas of the Central District be rehabilitated by the local property owners themselves. The more heavily damaged parts would be redeveloped by small-scale real estate corporations. The shares of such corporations would be distributed according to previously existing legislation from 1964, which stipulated that real estate owners would hold 75% of the shares and the government would hold 25%. Under this legislation, however, there was no allowance made for independent investors, or external private financing, contributing to the redevelopment process.

Other reconstruction devices included individual reconstruction loans and government rehabilitation through eminent domain. These methods, all public initiatives, were ratified by Decree No. 107 on the 30th of June 1977.

The reconstruction plan agreed upon in 1977 was ratified by Law No. 1163 on the 15th April 1978. In December 1978, nearly one year after it was established by the Lebanese government, the CDR began the implementation of Lebanon’s first reconstruction plan. Given the degree of destruction resulting from the hostilities of 1975-1976, the plan called for expenditures upwards of LL 22 billion (or an estimated U.S. $2.5 billion) over an 8-year period. And while the plan went partially into effect, it was interrupted by the recommencement of fighting.

Abandoning the reconstruction initiative was as much a result of limited funds as it was a consequence of the continued fighting. The LL 10.5 billion expected in the form of grants or loans from the Gulf Arab oil-producing states had been reduced to only a fraction of the original amount.

Despite the continued hostilities, the plan was revised in 1980 (the idea being that if fighting was to suddenly cease there would always be an immediate and approved plan on the table.) Priority was given to basic projects, such as housing, hospitals and infrastructure.

---

6 After a brief adjustment by the Supreme Court, the plan was approved by Law No. 82 on the 15th of April 1982 without any significant changes.
The new plan did not include a private schedule of expenditure. Rather, it was an “agenda for necessary action.” Care was taken to word it so that there was no funding commitment made as financial requirements might, at any time, increase due to additional damages caused by new outbreaks of fighting, cost escalation, and other necessary projects that might arise.

In any case, 1977 was witness to new outbursts of violence as the fighting resumed. The internal Lebanese scrimmages stopped only for the first Israeli invasion of Lebanon in 1978, and the second Israeli invasion in 1982. The second invasion ended with the temporary Israeli occupation of West Beirut that summer.

In September 1982, International Peace-keeping Forces entered Beirut, and the Israelis withdrew from the capital to Southern Lebanon. Once again, in Lebanon’s capital city, calm pervaded and the war appeared to be over.

3.2 Oger-Liban and Dar al-Handasah Plan of 1983

By 1982 Beirut had survived seven years of Civil War and two invasions. The previous reconstruction plans that had been approved were reconsidered and deemed inappropriate. Levels of destruction had increased significantly since 1977 and the new government was pushing a much vaster reconstruction project than its predecessor.

In November 1982, the Lebanese government commissioned a report by Oger-Liban about the BCD to herald the reconstruction initiative. Oger-Liban was the newly created Lebanese franchise of the Saudi-based construction company Oger-Saudi, founded in 1978, under the guidance of a politically savvy Lebanese-Saudi businessman, Rafiq B. Hariri.

Oger-Liban’s official commission was limited to the completion of the paper study, per the government’s request, and no more. At that time, neither Oger-Liban, nor the government itself for that matter, had the right to accompany the study with any on-the-ground policies that would actually affect or physically alter the city center.

As part of this effort, however, Oger-Liban, with the tacit endorsement of the Lebanese government, refurbished a few buildings’ facades as an exemplary reconstruction sample. This physical interference was not accompanied by any legal or financial interventions, and the rehabilitation “did not go beyond a face lift” 8. The firm’s actions remained unpublicized,

---

8 Nabil Beyhum. *Imar Beirut wal-Fursah al-Dhaiah* /The Reconstruction of Beirut and the Lost Oppor-
and were soon forgotten amidst the more pressing matters of a tragic Civil War. The silent acceptance of the intervention, however, served to teach Hariri’s Oger-Liban two important lessons. The first was that, abandoned as the BCD was, avoided by most property owners, and inhabited only by squatters, construction efforts were not terribly noticeable or public. The second lesson was that the government was willing to circumvent the regular bureaucratic paths of authorization for ensuring legality of projects when it came to the improvement of the Beirut Central District.

The period of calm progressed, and by February 1983 there were strong hopes that Lebanon was finally on the road towards normality and recovery. The CDR prepared a new and revised reconstruction plan. This plan took account of the additional and considerable damages that resulted from the Israeli invasion of Lebanon in the summer of 1982 and the continued fighting in the city center.

As the CDR took on more responsibility, it grew into a larger and more aggressive role. To encourage the reconstruction initiative, other institutions and measures were put into place so that in September of 1983 the creation of the Higher Commission of Urban Planning (HCUP) appeared as a natural progression of events. The HCUP was a public body established under Decree No. 69 of September 9th 1983. The commission was charged with rendering opinions on urban plans and regulations, and the amendment of legislation concerning urban planning and the construction code.

Between 1983 and 1986, the CDR launched a major study on the metropolitan Beirut area. While the area focused on covered most of Beirut and its outskirts, the BCD was not included in the reports beyond a brief mention. The study culminated in the publication of the “Schema Directeur,” the first Master Plan for the metropolitan region.

When completed, the CDR plan took people by surprise. The requirements of the necessary reconstruction, detailed in the report, had grown significantly in terms of financial and infrastructural needs since 1977.

The sharp depreciation of the Lebanese pound in 1984 did not help matters. Indeed, a report submitted by the CDR to the Council of Ministers early in 1985, estimated annual reconstruction requirements for the following 8-9 years at between U.S. $1.3 billion and U.S. $1.6 billion a year, which put total reconstruction requirements for the period, up to the end of 1993, at between U.S. $11.78 billion and U.S. $14.4 billion, or between LL 105 billion

*tunity*/ Rami al-Khal, Beirut, 1992. p. 33

33
and LL 128 billion\textsuperscript{9}.

As part of its report, the CDR explained that based on the government’s financial situation about three-quarters of the funds required for reconstruction needed to be obtained from external sources. Ideally, 50-60\% of this (U.S. $4.9-5.9 billion) would be in the form of grants, 20-30\% (U.S. $1.96-2.94 billion) would be in the form of a long-term soft loan, and the rest or around U.S. $1-2.9 billion in the form of syndicated loans.

However, these figures were out of the Lebanese government’s reach. And even if this ambitious target of external financing could be realized, which seemed unlikely at the time, Lebanon would still have the task of meeting around U.S. $3.27 billion of the reconstruction bill from internal sources. This amounted to U.S. $363 million annually over a 9-year period, (or around LL 3.23 billion) If, however, the required amount of foreign grants and loans could not be obtained, it seemed doubtful that domestic funds alone could afford to finance the complete reconstruction program\textsuperscript{10}.

In light of these financial problems, the resumption of fighting in Beirut was not the only thing preventing the implementation of the reconstruction plan. The redevelopment studies did, however, advance so that by the end of 1983 the government was able to begin its effort to reform the infrastructure starting with the Byblos-Phoenicia tunnel. A bidding process was held, and construction was announced to begin only days before the brief period of calm ended, and the war began again. The city center rebuilding project remained eerily unmentioned throughout this time period.

In 1983, as the CDR considered the reconstruction of Beirut outside of the city center, the Beirut Central District had not been forgotten. Another institution, which had initially drawn up plans for the area, began to expand its activities. Oger-Liban, without any official appointment, took up the reconstruction project and independently commissioned a Master Plan from the Arab consultancy group Dar al-Handasah. Specializing in architecture, engineering, planning, environment and economics, Dar al-Handasah (Shair and Partners) was the leading international consultancy firm. Founded in 1956, today the firm is the biggest engineering company in the Middle East, and the eighth largest in the world\textsuperscript{11}.

Later in 1983, as the Dar al-Handasah plan neared completion, bulldozers entered the

\textsuperscript{9}Using end-1984 exchange rate of the Lebanese pound versus the dollar.


\textsuperscript{11}See http://www.dargroup.com/ for more information

34
city center. The bulldozers, without any official authorization, began clearing the Central District of the rubble accumulated by the long years of war. There still existed no official reconstruction plan, but the bulldozers were not bulldozing randomly, and slowly and methodically “ordered spaces” began to be cleared. While the perpetrators of this cleanup remained officially unidentified at the time, it was generally agreed that the parties behind the private REHCO were also behind the clearing.

Incidentally, only after Solidere (in which Hariri is the largest shareholder) was ratified and the redevelopment project was well underway, did the Hariri Foundation modestly acknowledge on its website that:

Mr. Al-Hariri more than once mobilized his resources to help war-torn Lebanon. As the bombs were falling on Beirut in the summer of 1983, Mr. Al-Hariri instructed his company Oger Liban to send its work crews, bulldozers, and trucks out to clear the rubble and debris from the littered streets of all the devastated areas.

Oger-Liban claimed that it was working hard to ensure the public benefit. The rubble and buildings hazardous to public safety were being removed. The center had indeed sustained damage during the fighting, with just under 20% of its buildings were irreparably damaged. The company, under Hariri’s guidance, however, was “cleaning up” the city center. The cleanup of the center involved the destruction of some of the district’s most significant surviving buildings and structures. Among the rubble removed were the intact remains of three of the center’s old souks, the Nouriyah, the Sarsaq and the Sagha without any approval or ratification by official authorities concerned with the reconstruction of the center. Under the official radar the bulldozers managed to clear a good portion of the Saifi district of rubble as well as actual buildings. See Figure 3-1, page 36 for a map of the area. Critics argued that the clearing was based on false pretenses, and in total disregard of the, still official, 1977 plan for reconstruction, which specifically called for the rehabilitation of those areas of the center.

During the war the center was deserted and had slowly become a notorious red light

---


district, rarely visited by the original property owners. As such, the clearing was able to continue without drawing a lot of attention to itself, either from the media, or the owners of the lots being cleared. This demolition was carried out without the approval, authorization, or interference of any official or governmental institutions. However, the “cleaning up” was unable to continue for long. In 1984 another round of fighting forced the cessation of planning and reconstruction activities, and the active shelling in the Central District caused even further damage.

In June 1985, while the fighting continued, the Middle East Economic Consultants prepared another report for Oger-Liban and the CDR. The Middle East Economic Consultants (MEEC), headed by Marwan Iskandar, was a respected, and self-advertised neutral, research organization that offered independent surveys on market, political and economic circumstances. The report described the incapacity of the government to undertake the reconstruction project. It concluded that a private institution, complete with the necessary funding and institutional capabilities that the government lacked, would be the only means possible to rehabilitate the center in a meaningful manner.

During lulls in the fighting, the bulldozing in the city center continued largely unnoticed until 1986 when Oger-Liban completely bypassed regular government channels and proposed its own plan drawn up by Dar-El-Handassah. Without being commissioned to do so by the
government, and having sponsored the plan out of its own pocket, Oger-Liban presented it for official approval. The plan produced, however, was very distant to the general planning traditions of preservation that existed after the war and felt alien to Beirut’s population. The plan recommended the demolition of 80% of the existing buildings in the Central District (although only 20% were damaged “beyond recovery” by the war). The plan called for such drastic changes that some critics were driven to say that the project’s proponents seemed to “treat the center as if it was their own property to do with it as they pleased”\textsuperscript{15}.

Thinking about this plan, Angus Gavin of Solidere said, “Oger-Liban prepared a reconstruction plan for the BCD in 1986 which was also based on notions of infra-structural modernization and rationalization of the road transportation system as the 1978 plan. Although the plan had not been endorsed by the authorities, it represented an evolution of the anticipated image and functions of the Central District”\textsuperscript{16}.

The Oger-Liban plan was based on two principal scenario themes\textsuperscript{17}. The first was a scenario of national centrality, which emphasized the national, and historic, functions of BCD, to be structured around the Place of Martyrs. The second was an international façade scenario, which emphasized the role of BCD as an international and regional center, and was conceived to develop from the nucleus of “the Bank Street,” right in the direction of “Front de Mer.” From earlier plans for the BCD, the 1986 version included a greatly increased density of development.

After the new round of fighting ended in 1986, further unofficial demolition was carried out, seemingly by the same parties, which began implementing their unratified, private plan that called for clearing about 80%, of the remaining structures in the center. See Figure 3-2, page 38 for more details\textsuperscript{18}. The violence, however, was once again resumed. The Dar El-Handassah proposals were soon forgotten about amidst the fighting, and the unofficial demolition halted. And so the dance between demolition and fighting continued in the city center, slowly destroying what little remained of the capital’s Central District, until lasting peace was spread in 1990.

\textsuperscript{15}Interview with Mohammed Moghrabi, July 2003
\textsuperscript{16}It is important to point out this early in the story that most official sources treat Oger-Liban and Solidere as completely separate entities. Therefore in the official historic records of the project, we see no mention of Solidere until after its ratification in 1992. However, run by the same management, under the auspices of billionaire Rafiq Hariri, it is safe for us in this analysis to understand the two corporations as being very closely related.
\textsuperscript{17}Oger-Liban, \textit{Beyrouth, Centre-Ville Reconstruction}. May 1986. pp. 4-53.
\textsuperscript{18}The black indicates areas that will be preserved, and the white shows the areas that will be torn down and rebuilt. Image adapted from Nabil Beyhum’s \textit{Imar Beirut wal-Fursah al-Dhaiah}. 

37
Figure 3-2: Demolition in the City Center
Chapter 4

The 1990s: Enter the REHCO

Following the last outburst of violence in 1990, national attention once again focused on the heavily damaged city center. The Taef Agreement of 1989, signed in the Saudi Arabian city of Taef, finally ended the Civil War. The agreement established a formula for Lebanese governance and the eventual withdrawal of Syrian forces. Tragically, René Moawad was assassinated only three weeks after becoming president, and was succeeded by Elias Hrawi, who was able to keep up with the Taef Agreement's timetable (while managing to avoid the fate of assassination met by two of his predecessors in the past nine years). The new Lebanese government, true to the accord, reached out to the various resistance groups with moderate success. All but Hizbullah, the leading Islamic militia group, agreed to actively take part in the government's outreach program.

Under the accord's guidance, Hrawi's government immediately took up the issue of reconstruction. There were, however, serious problems that hindered progress on this front.

4.1 The Problems

The destruction of the Lebanese capital's center had been of such a massive scale that reconstruction was no longer a matter of simply "restoring the urban fabric" to its previous condition. Rather, the government chose to think of the reconstruction as providing the opportunity to rethink the urban structure of the Central District at a strategic level. This would involve reassembling land for contemporary scale development, and undertaking the wholesale rehabilitation of the infrastructure, including roads, water, power supply and

---

1Elias Hrawi quoted in *Le Monde* 5th July 1990
telecommunication networks, sewerage and other essential utilities. At the same time, the CDR noted, the uncontrolled growth of the landfill in the center - the city dump for building rubble and domestic rubbish through the war years - offered the opportunity for reclamation of new waterfront lands. This would give a “much-needed breathing space...allowing [for] future expansion of the city center”.

The redevelopment of the city center would ultimately involve the restoration of 4.4 million square meters of urban space spread over a land area of 1.1 million square meters. By one estimate, in 1989, more than 40% of the existing buildings in the BCD area were beyond repair. Water, sewerage, electricity, and roads required a complete overhaul. The total infrastructure costs for the center were estimated to be approximately U.S. $1.5 billion. This was an exceptionally high price tag for the national government to bear, given the other pressing infrastructure needs of the country at that time. In fact, the overall predicted reconstruction costs for the Dar al-Handasah plan in the Central District alone amounted to about half the national yearly GNP.

The task of redevelopment was daunting. Through discussions in Parliament and the Council of Ministers, it became clear that the government was incapacitated by a host of deeply rooted problems hindering the reconstruction process. These problems can be classified into the following categories:

Financial Problems

Lebanon’s public debt increased by nearly 52% in 1984 to around LL 32 billion or nearly 23% more than the estimated GDP for that year. With commercial banks showing a growing reluctance to subscribe to new treasury bills, much of the increased public debt was in the form of direct borrowing from the Bank of Lebanon. This borrowing increased from LL 5.3 billion at the end of 1983, to around LL 11.5 billion towards the end of 1984. However, domestic government borrowing was considered an unstable source of funding to foot the reconstruction bill as it has serious negative macroeconomic and crowding-out effects.

---

4 Interview with Abdel-Rahman Solh, July 2003
Rental Laws

A further complication arose from the awkward relationship between tenants and landlords. The rental laws favored renters over owners, and no landlord could terminate a commercial or residential lease without paying the tenant a substantial fee (almost 50% of the capital value of the leased space). Under the rental laws, property owners had no incentives to rebuild their property. The cost of redevelopment would outweigh the revenues accrued from rent. The rental laws remained in effect throughout the war even for severely damaged buildings. Only if a building was completely destroyed were they absolved. These rental laws meant that in 1991 after the building owner had sunk all the costs of redevelopment, the renters would still be paying at pre-1975 rates. This provided a perverse incentive to redevelopment and it seemed unlikely private owners would rehabilitate their property under these conditions.6

Too Many Owners

Along with this fragmentation of property came a fragmentation of ownership. Buildings that had originally been owned by a single investor were now, generations later, owned by myriad grandchildren, each with a “unique perception of what should be done with the property.” Coordination of resources and commitment among all these varied stakeholders in an effort to rebuild was nearly impossible.7

Along with the complicated rental laws, this phenomenon fed into the problem of entangled property rights. Often, hundreds of proprietors, tenants, and lease-holders laid claim to individual lots. For one such lot in the souks area, some 4750 people were revealed to hold ownership or tenancy rights in 1975. Their story was made famous by a television documentary. The documentary showed the inability of the thousands of owners to coordinate and redevelop the lot. The discussion got so heated and violent that chairs were thrown, and one of the property owners was injured.

By 1990 there were over 40,000 active owners in the BCD. Some individual buildings were revealed to have several thousand title-holders. This fragmentation of ownership meant that more than 50% of the existing land parcels in the Central District

---

6 Certain demolition crews hired out their services to building owners who had damaged buildings, since in some cases it was more financially feasible to destroy the building entirely, to be free of the old rental rates, than to rehabilitate and be forced to rent out at pre-war prices.

7 Interview with Abdel-Rahman Solh, July 2003
were less than 250 square meters in size, and therefore below the minimum surface area necessary for feasible redevelopment. Any development plan that concentrated on forming a new contemporary functional center would have to contend with this restriction. The small sizes also made the plots unattractive to potential investors, and so, again, undermined the incentive to rebuild. Oussama Kabbani, in his work *The Reconstruction of Beirut*, called this mess of entangled property rights among tenants and landlords, “a Gordian knot of claims and counter claims.”

**International Aid**

The 1970s were a period of growth for Lebanon. Before the war, remittances by Lebanese working in oil-rich countries allowed for balance-of-payments surpluses, and provided a source of savings for investments. In pre-war years, this flow was enhanced by Arab investments in Lebanon. The region was fueled by an improvement in oil revenues and substantial volume increases in exports.

In 1990, however, prospects for the Lebanese in the oil-rich countries seemed unpromising. The availability of aid to Lebanon necessary for reconstruction works was “distant and meager”\(^8\). While in 1978 a major financial and economic evaluation\(^9\) of prospects for the city center predicted continuing, and accelerating, prosperity in the Gulf countries, the opposite occurred.

Oil revenues were tight, and with the advent of the Gulf War, Arab attention was focused on Iraq. So, Lebanon was in fact doubly cursed; as well as having to budget on limited domestic revenues, international aid sources were dwindling. The situation in Kuwait easily diverted Arab aid away from the almost two-decade-old Lebanese predicament.

The major alternative sources of aid were the World Bank and the International Monetary Fund. Acceptance of their finances, however, required implementation of liberalization and privatization policies; conditions to which the Lebanese government was unwilling to commit.

The availability of official grant assistance, loans on favorable terms, and commodity assistance (from institutions such as the Islamic Bank for Reconstruction and Devel-

---

\(^8\) Middle East Economic Consultants. *Feasibility Study for Beirut Central District.* Beirut. 1985

\(^9\) Middle East Economic Consultants. *Feasibility Study for Beirut Central District.* Beirut. 1985
opment (IBRD), United Nations (UN), European Economic Community (EEC), multilateral Arab agencies, etc.) would, undoubtedly, be a component of a wider package for “stabilization” in the region. In accepting aid from these sources, Lebanon would have to accept their interference in domestic politics and economic policies. These multilateral agencies did not have Lebanon high on their agenda either. Significant amounts of their funds were to be diverted to aid the recovery of the eastern European economies.

Apart from encroachment on autonomy, the general experience of reconstruction initiatives in Lebanon had been that, despite pledges of assistance from the international community, the amounts of assistance actually received were far less than those originally promised. The CDR reported in 1985 that less than 40% of the U.S. $3.1 billion pledged in grants and loans since 1977 was received. Included in the pledged grants was U.S. $2 billion promised over five years by Arab states in 1979 in what is known as the “Tunis Pledge,” of which only U.S. $0.4 billion was actually received. The major Arab donors, like other international groups, tended to link their support to a satisfactory political settlement in Lebanon.

National Economic Problems

The Civil War resulted in huge losses. The human toll was appalling, both in terms of the lives lost and the potential for leadership foregone. About 170,000 people perished, twice as many were wounded or disabled, and close to two-thirds of the population experienced some form of dislocation. By the fall of 1981, U.N. experts estimated that the country had sustained U.S. $12 to $15 billion in damages. Even today, more than one third of the population is considered to be below the poverty line as a result of war and displacement.

Economists predicted that direct loss alone amounted to about U.S. $19 billion. Inflation was running at 92% per annum, depreciation at 82% per annum, and production was estimated to be down by at least 50% of normal peacetime levels. Between 1982 and 1990, real Gross Domestic Product (GDP) decreased by 50% in volume, and unemployment levels reached approximately 28%.

At the private sector level, the productive capacity of industry was reduced to 25% of its potential. About 300,000 dwellings were damaged and 40,000 cars were burned.
Hospital capacity dropped to 30% of its pre-war levels. Material damages were estimated to be U.S. $12 billion, while opportunity costs were predicted to be a minimum of U.S. $60 billion.

On top of the horrible financial situation, it was doubtful that the government even possessed the institutional capacity necessary for reconstruction. Public institutions had deteriorated over the course of the war. Nine-hundred-thousand people or 27% of the Lebanese population had emigrated during the fighting, resulting in massive brain-drain. The skill set and remaining experience available in the public sector was limited.

Overall Condition of Property

The major components of the basic infrastructure were destroyed. Less than half of the 450,000 existing phone lines were functioning, only 35% of the 1,350-megawatt capacity of power plants was available, 80% of water reserves were polluted, and all filtering stations of the water-waste treatment facilities were out of service. In addition, the road infrastructure required total rehabilitation and only half the public schools were operational.

By 1991, there was destruction beyond salvage of almost two thirds of the urban fabric and the city’s public spaces. The shoreline was polluted and irrevocably changed by years of uncontrolled dumping of the city’s domestic waste, and all that remained in the center was the rubble of “destroyed buildings and the detritus of war”.

Squatters

A squatter population and displaced families occupied almost every devastated building in the BCD. This population was estimated to be in excess of 30,000, living in largely unsafe structures throughout the city center. A substantial relocation program was necessary before reconstruction could continue. The government’s promise to support the rehousing project was going to put a significant strain on financial resources.

---


Will the Project Even Work?

Another concern for the government was, even given a full reconstruction plan for the center, would the redevelopment initiative even work at all? Would the owners of offices in Beirut and its suburbs, who were forced to relocate from the BCD after 1974-75, be willing to move back to the city center once it was rebuilt and to incur the expenses involved in such a move? Was redeveloping the area, given the other pressing government needs, simply an unwarranted risk? 13

Despite these problems, the government was committed to rebuilding the center, and soon deliberations arose in the Parliament and the Council of Ministers on how to go about securing a new Central District in the face of all these hardships.

4.2 The Options

Three major options arose out of the numerous discussions in government circles at the end of the war in 1990.

I. Complete Government Financing

Deliberated in parliament only briefly, this option proposed that the government make capital available to individual property owners to redevelop their plots through loans. However, the extreme land fragmentation and entanglement of property rights made this option unfeasible. The government could not gather together adequate resources for financing 14, and in any case, did not have the institutional capacity necessary to support the process. Though this was a popular method in post-war Europe (with the support of the Marshall plan aid) it was impossible to justify in Lebanon. There were more pressing social, political and infrastructural needs than rebuilding the city center 15.

---

13 Surveys carried out by the MEEC indicated that around 53% of the offices previously located in the BCD were willing to return once it was rebuilt, while about 26% indicated an unwillingness to do so and 29% were undecided. The Council of Ministers issued a general opinion that this did not give a clear indication that rehabilitating the city center was an acceptable public risk although they recognized the emotional importance of rebuilding the BCD.


II. Government Eminent Domain

This approach suggested that the government put up significant capital to buy out all the problem areas in the center. This option was unpopular because, apart from the limited capital available to the government at the time, the institutions and staff needed to lead a reconstruction effort successfully were absent from the post-war Lebanese national government.

Moreover, Lebanon, more than most Middle Eastern countries, had a strong history of low government involvement, and high private sector participation in a free market economy. The parliament (composed primarily of private businessmen\textsuperscript{16}) would be loathe to any law that increased government power and involvement. Lebanon was historically one of the more progressive countries in the region. Public debates were traditionally scornful toward large government involvement and there was strong public objection to this approach.

III. Real Estate Holding Company\textsuperscript{17}

Parliament and the Council of Ministers rhetoric seemed to indicate that there was “only one remaining option”\textsuperscript{18}. Encouraged by all the studies, and the existence of private finances, this option involved the creation of a Real Estate Holding Company. This company, as initially suggested by the MEEC study, would be privately funded and granted the right of eminent domain over a specified area in the city center.

It was the case, proponents of this plan argued, that the private sector was better able to tap into international finances, free of the fiscal restraints of the domestic government. Private firms would also have the available institutional capacity needed to complete the project.

The plan to redevelop the center, warned urban planners, was ambitious, “at stake [was] the rebirth of the center of a capital city after its destruction by war.” The pattern of development that it engendered would have to “inform the future and cherish the past.” It was essential that the reconstruction provide a social arena and a means to “reconnect a


\textsuperscript{18}Hrawi in interview in Al-Hayatt, November 2\textsuperscript{nd} 1990
once-divided city.” In essence, the solution could not be a half-hearted attempt. Deciding on an appropriate plan of action was critical.

4.3 The Solution

The idea of a REHCO favored by the third option meant that, as presented before the Council of Ministers and the Parliament, one private firm would be given the power to appropriate all lands in the city center area, and become the sole developer. The concept of a Real Estate Holding Company did have historical precedent. In 1962 the Lebanese government passed laws to establish the Higher Commission of Urban Planning (HCUP) in Lebanon. Part of these laws allowed for the possibility of creating a Real Estate Holding Company to implement urban renewal for specified planning projects as part of a larger master plan approved by authorities. Over the next five years successive amendments had been incorporated into the HCUP laws which augmented the administrative and operational aspects of such companies. In 1977 a law was promulgated to establish a mechanism for public and private partnerships of this nature. This law provided a framework for the REHCO project, but would have to be updated to fit contemporary BCD needs.

Under the new law, all properties within this area would be, from the date of formation of the company until completion, treated as one development block. Included in this were also public areas, which were converted by the law automatically into private property. The single real estate company was justified by the extent of the destruction suffered by the city center. This option’s proponents argued that the severe damage to properties and infrastructure in the BCD, necessitated such a wide-scale construction program that it only made sense the whole BCD area be entrusted to one single real estate company, and not divided up into several areas assigned to separate firms. This would give the company a free hand to smoothly redesign the development blocks and individual lots to complete the infrastructure works and to freely carry on the remaining land development activities.

The one private REHCO solution, the government claimed, ensured an “absolute equality of treatment”\(^\text{19}\) of all property right holders inside the BCD, irrespective of the status of the property, or of the use prescribed to it. Any losses incurred in the particular instance of an individual plot as a result of infrastructure works, or of archaeological finds, could,

\(^{19}\)Hrawi in interview in Al-Hayatt, November 2\(^{\text{nd}}\) 1990
under this option, be treated as a cost spread out over the entire project.

The Private Sector

Encouraging the government in this venture was the widely “known and respected” re-sourcefulness of the private sector in Lebanon for assembling capital and creating “special inter-institutional agreements.” Successive Lebanese governments encouraged free enterprise and private initiatives in almost all sectors of society. The government felt it would not be difficult for this sector to satisfy the public role in the reconstruction initiative.

The private sector had often, in the past, come forward to fill the gaps in traditional government services caused by the hostilities. When electric power supply was cut, due to damage caused to the central generating and transmission equipment, entrepreneurs in Beirut installed generators and sold power to neighborhoods. Private schools for children were opened to satisfy the demand jump created by the closing of public schools. Private transit operators, some created by political groups, have also sometimes filled in for the government. Cellular phones, operated by private firms, have become the fashion since the deterioration of the public telecommunications system.

Moreover, the private sector had money. There was undoubtedly a substantial reservoir of private assets owned by Lebanese abroad, which, under the appropriate circumstances of the restoration of political, social and economic stability and order, could be attracted to the domestic economy. The Middle East Economic Consultants commented, “Accurate data on the total amount of Lebanese capital abroad are not available but this total has been estimated at between $10 billion and $20 billion.” Conditions on international markets in 1985 implied a considerable increase in the value of these assets to a value in excess of $50 billion.

As Saree Makdisi in his work *Laying Claim to Beirut: Urban Narrative and Spatial Identity in the Age of Solidere* observed, “the excitement of the potential of the private sector solution to solve the redevelopment constraints on the public sector was well received.” In fact, the model was immediately seized upon and suggested for use elsewhere in other areas and sectors. One highly promoted application was the urban transit system, another was housing. There was also talk among some Members of Parliament of having Real Estate

---

Holding Companies develop lands outside of the BCD as well. Indeed, it was said that “in all network infrastructures- water, sewer, power, and tele-communications, there may well be a role for some form of private contribution, either as long-term builder and/or operator under public service agreements or in some form of build-operate-and-transfer (BOT) mode. Such possibilities should be considered under the reconstruction options”\textsuperscript{21}.

In light of these positive reactions, the Council for Development and Reconstruction quickly decided on the third option -a Real Estate Holding Company to undertake the project. The strategy would “insulate the reconstruction of the BCD from political polarization and traditional governmental inefficiencies in order to provide proper leadership and attract funds”\textsuperscript{22}.

The Real Estate Holding Company suggested for the city center, would at the end of the day, be a self-financing project, which not only would solve the land tenure problem of Option I (complete government financing), but would also supply the skills and capacity needed to implement the reconstruction plan without waiting for the institutional reform required for the success of Option II (eminent domain).

\subsection*{4.4 How Did the REHCO Get Approved?}

The government's decision to use a private REHCO as suggested by Option III was facilitated by the fact that the businessman Rafiq Hariri, was offering his services and capital to launch the Real Estate Holding Company in Lebanon. “Thankfully,”\textsuperscript{23} Hariri was able to provide the necessary financial and institutional support through his planning experience with Oger-Liban. His offer to set up a new company in order to implement the proposal was well received by the government, and Hariri rose to the role of entrepreneur almost immediately. Hence it seemed almost natural that the private sector came to satisfy the role of the public sector when it came to rebuilding the center.

The proposed Option III was very quickly adopted and encouraged by many in the government. Other research into the proposal of a private real estate company also framed it as the only viable solution\textsuperscript{24}. This support was encouraged by the fact that even before serious

\textsuperscript{23}Interview with Abdel-Rahman Solh, July 2003
\textsuperscript{24}Middle East Economic Consultants. \textit{Feasibility Study for Beirut Central District}. Beirut. 1985
discussions about the nature of the law that would be required to permit the establishment of a completely private company began in the Council of Ministers and Parliament, Hariri and his men had gathered the necessary funding to launch the project, as well as drawn up a finalized plan for how such a project might be run. These initial steps were enough to inspire government confidence.\footnote{25}.

The entire project, and concept, of such a large private real estate company was, however, entirely unprecedented. It was a painfully new maneuver and involved a huge private-to-private transfer. Such a project would necessitate extensive deliberations in government. Tracing the events leading up to how the final decision was taken will teach us a lot about the strategy of Solidere, as well as the development logic of the Lebanese government at that time.

As the government launched its own investigatory efforts into the REHCO option, proponents of the private REHCO plan worked hard to progress their agenda.

The first step toward obtaining the political backing necessary for the project took place late January 1991. On the 24th of January 1991, the Legislative Decree No. 790 was approved to appoint a new Council for Development and Reconstruction. The decree was issued to revamp the organization, and have it turn its attention more seriously towards the city center.

The revamped CDR offered Hariri the perfect opportunity to begin infiltrating those organizations that were highly involved in the decision making process of the Central District development. The appointment of Fadel el-Shalaq, the founder of Hariri’s Oger-Liban (1982) and head of the charitable Hariri Foundation (1984), as head of the CDR was a first step in this direction. As Hashim Sarkis pointed out, in effect what this meant was that “the main private organization in the building industry [had] taken over the official planning advisory body. The agency that the government used to control private development [had] now reversed its role.”\footnote{26}.

During the first six years of its life, the CDR had been careful not to become “a state within a state.” It laid down the general development plan, secured the necessary financing for major projects, but refrained from getting embroiled in the execution of reconstruction.


projects, except when other government agencies were either too inept or sluggish. Its primary task was to “act as a reinforcement to the ailing administration, not to replace it”\textsuperscript{27}. However, under the auspices of a head with strong ties to Hariri, the CDR, with new interests at stake, began to assume a much larger interventional role in reconstruction.

The appointment of el-Shalaq was a turning point. This development marked what can be thought of as the start of the state’s abdication of its authority, and any direct role it might have played in the reconstruction of Beirut’s Central District. Saree Makdisi identified this process as the beginning of a “political-economic discourse we might identify as Harirism.”\textsuperscript{28} Makdisi’s “Harirism” would reach a peak in 1992, when Hariri himself became the prime minister of Lebanon. At this time, Hariri appointed his legal council Minister of Justice, and he gave his first-cousin’s husband the role of head of the Higher Appraisal Committee, and assigned him to the Higher Judicial Council. El-Shalaq, still had a private office in Oger-Liban, and his staff on the CDR were scheduled to move into new headquarters in the BCD, renovated at a cost of U.S. $5 million, a “gift”\textsuperscript{29} from Hariri. Relocating the CDR to a Hariri-owned building seemed acceptable given that even President Harawi’s official residence in West Beirut is an apartment owned by Hariri\textsuperscript{30}. Critics often argued that “in Europe or the United States, a similar connection would have been regarded as a potential conflict of interest and a possible source of political embarrassment,”\textsuperscript{31} but in post-war Lebanon they did not cause a scandal.

Hariri’s rise to power and the state’s “abdication of its authority” cannot be entirely attributed to a Hariri master scheme designed to undermine the newly created Lebanese government. Emerging from war in 1990, Lebanon found itself a “country virtually without a state.” When interpreting Solidere’s story then, we must understand that Hariri was offering a genuine service to the Lebanese public sector by offering to take over the project. We must be careful to understand that it was not so much a coercive effort by a private company to steal land away from righteous citizens, but a genuine gap in the democracy and durability of the newly reinstated post-war government that ultimately allowed the exchange.

The government only approved the project after extensive deliberations, but was, of

\textsuperscript{27}Robert Saliba speaking at Darat al-Funun, Amman on April 19, 2000.
\textsuperscript{28}Makdisi
\textsuperscript{29}Interview with Mohammed Moghrabi, July 2003
\textsuperscript{30}Interview with Rayaa Daouk, July 2003
course, influenced by Hariri’s strategies. Needing a plan to base its decision on, the government naturally turned to the CDR, its public development agency, for advice on this front. It became clear that the CDR Master Plan for redevelopment would have the largest voice in swaying the Members of Parliament, and convincing them either of the necessity for a private REHCO, or warning them against it.

Soon after el-Shalaq’s appointment in October 1990, and at the formal request of the CDR and the verbal request of Hariri, a new set of master plans for the reconstruction of central Beirut was issued by Dar al-Handasah. The official transaction noted that Hariri would be paying for Dar al-Handasah’s services himself. Dar al-Handassah appointed former Minister of Public Works and Transportation, architect Henri Eddé, to head the design team of the project. The plan was finally disclosed to the public in the summer of 1991 for review.

By this time some estimates were suggesting as many as 250,000 property rights claimants in the district. This number was significantly higher than the original 40,000 listed, since Lebanese law honors claims not only by actual property owners and their descendants, but by lessors and their descendants as well.

The Dar al-Handassah report examined the problems of the Central District. The Dar al-Handassah (Henri Eddé) Plan insisted on a private Real Estate Holding Company, and recommended a new law to adjust the responsibilities of the CDR and expand them to include the monitoring of such a firm. The new plan also called for the demolition of most of the remaining structures in the center in order to facilitate a comprehensive large-scale development project. The plan had put forward no other solution than a private real estate company, and despite the growing support for this new plan in certain (public and private) circles, opposition also grew and culminated in the formation of a protest group that met to debate the idea of a private REHCO, and to try to generate alternatives to it. The suggestion of the new law also spurned heated discussions in the Council of Ministers headed by the Prime Minister, and the 128 member Parliament, which jointly approved policy.

The plans drawn up by Dar al-Handasah architect Henri Eddé called for what was denounced by the opposition as an “outrageous” rebuilding project that would require the almost total demolition of whatever structures remained in the city centre. Protests about this plan, the extent of demolition and the launching of a REHCO began in July during the

32 Interview with Abdel-Rahman Solh, July 2003
public symposiums held by Dar al-Handassah and the CDR. Eddé’s plan included features like the creation of an artificial island to house a “World Trade Center” and an eighty-meter-wide boulevard rivaling the Champs-Élysées. See Figure 4-1, page 53.

Figure 4-1: An Impression of the New Image for the City Center
Approximately fifteen academics and planners decided to coordinate efforts in opposition to the plan. They quickly became famous and were viewed by the public as the “only credible and independent experts”\textsuperscript{33} on the reconstruction effort. After presentation of the first reconstruction plan, they succeeded in starting a broad public debate about the goals and contents of reconstruction.

The first thing that the experts criticized was the extensive demolition called for, and the drastic redesign of the old Central District. The new plan bore absolutely no resemblance whatsoever to Beirut’s old city center, or to the rest of Beirut, for that matter. The plan, argued one architect, disregarded an adequate structural and functional embedding of the surrounding quarters\textsuperscript{34}. and would have made the district an isolated “island of modernity”\textsuperscript{35}. In lectures, meetings, books and appearances on television talk shows, the

\textsuperscript{33}Interview with Rayaa Daouk, July 2003
group of academics and planners demanded a modification of the project.

Following the huge public outcry denouncing their scheme, the CDR and Dar al-Handassah returned to the drawing board where they set to work on a new Master Plan.

The revised plan was widely advertised by Hariri as an “inclusion of the eminent criticism,” and the involvement of the “public” in a “private” scheme. The opposition academics and planners were offered (compensated) opportunities to participate in the reconstruction project, in what Moghrabi calls an “embedding strategy.” Most experts declined this “corrupting co-operation,” but nevertheless two high-profile architects were won over. Their approval was highly publicized as the architects’ rapport with the public, as independent and objective critics, was an especially useful advertising tool.

This revamped plan was never fully approved through a public process, before it was submitted for government approval. However, one of the more serious groups, the “Engineers’ Union” studied the proposal, especially from the planning perspective, and presented a report, ratified by the Trade Union Board, of its findings to the Parliament. It also sent a version to the CDR and suggested that an independent expert committee be formed, in addition to Dar al-Handasah and the CDR, to rethink the plan. This report was presented on the 24th of September 1991 to the government and never received a response.

As the plan was being debated publicly (in unofficial forums), it was building up official support in Parliament and the Council of Ministers. Laws and decrees were being pushed that set the framework for the creation of the private REHCO.

Under “influences, and heavy pressures,” early afternoon on the 7th of December 1991, President of the Republic Elias Hrawi and the President of the Council of Ministers Omar Karami signed Law 117/91 into existence. The law would allow for the creation of a private company to take over rebuilding the city center. The private firm in mind was to be initiated by Hariri, and with his background in planning and construction from Oger-Saudi and Oger-Liban, there was a genuine hope that he would be successful.

36 George Corm quoted in *Al-Hayat*, November 1991
38 Interviews with opposition groups and advisers of Hariri
41 Op-eds in *Al-Nahhar* and *Al-Hayatt*
4.5 What the Law Meant and Other Events

The pivotal Law No. 117, provided the legal framework for the structure of such a company, and was “repeatedly denounced as unconstitutional.” The Lebanese authorities enacted Law No. 117 as a general law, applicable to the development of any and all areas damaged by war events, although it was conceived of in the context of the BCD, and was applied to the area soon after its promulgation.

The most important aspect of the law, which must be made clear, was the compulsory and collective transfer it mandated of properties within the Beirut Central District borders to the firm. The new company would become the sole owner of all the real estate properties in the area.

Thinking about this law, Lebanese architect and planner Assem Salaam explained that, “entrusting Beirut’s Central Business District redevelopment to the CDR is a typical example of the dangers inherent in the state’s abdication of its role in orienting and controlling one of the most sensitive reconstruction development projects in the country.” The project, others argued, marked the dissolution of any real distinction between public and private interests or, more accurately, the law allowed for the colonization of the former by the latter.

Following the enactment of Law No. 117, and in anticipation of the formation of the company, the Council of Ministers, by Decree No. 2236 dated 19th February 1992 fixed the limits of the BCD project zone, and the registry numbers of the real estate properties falling within this zone. See Figure 3-1, page 36.

During April 1992, after the passing of 117/91, the CDR started demolishing other remains in the identified BCD zone, again “under the guise” of stabilizing the area from the danger of condemned buildings and preserving public security. The CDR’s public and interventionist actions seemed to suggest that Law No. 117 was the end-all of requirements for implementation of the Master Plan. However, no plan had as yet been ratified by the government, and so the CDR in fact was acting beyond the limits of its mandate.

The passing of Law No. 117 is often seen as the point where “Solidere was signed into existence”\textsuperscript{46}. If we look through the literature we find comment after comment denouncing the passing of this law as the culprit. However, nowhere in the law is the name of Solidere mentioned, or any such company ratified. A firm’s incorporation laws are very different from a law that simply allows for the possibility of a firm of that nature to exist. No private firm was created as a result of 117/91. It is undeniable that Law 117/91 took Beirut one step closer toward the creation of this firm, but no such company existed, nor was any formed or incorporated, as a direct result of this law being signed.

So in the spring of 1992, when further demolition was begun in the city center, on behalf of the government, many property owners argued that buildings were being demolished without any legal grounding. Buildings were brought down with high-explosive demolition charges, but the explosives were stronger than necessary and dynamite and bulldozers were employed on buildings in such a way that the foundations of neighboring buildings were also affected. In this way, each building, as it collapsed, damaged beyond repair several other buildings nearby that were then soon declared hazards to public safety and later demolished\textsuperscript{47}.

Observers estimated that as a result of these bouts of demolition, by the time reconstruction efforts began seriously after the formal ratification of the Dar al-Handasah plan in 1993, about 80\% of the structures in the city center area were damaged beyond repair (the same proportion of clearing suggested by the 1986 Oger-Liban-Dar al-Handasah plan). One critic, Assem Salam observed that “more buildings were destroyed by bulldozers than the war itself”\textsuperscript{48}. Indeed, only a third had been reduced to such circumstances as a result of the damage inflicted by war. In other words, ironically, more irreparable damage had been inflicted on the center by those “who claim[ed] to be interested in salvaging and rebuilding it” than during the preceding fifteen years of shelling and house-to-house combat\textsuperscript{49}.

This demolition was carried out despite the growing opposition. In the spring of 1992, for instance, a group of concerned architects was established to formulate alternatives to the, still unofficial, reconstruction plan. In May, the group organized a conference to debate the

\textsuperscript{46}see Makdisi, Corm, and Beyhum among others
\textsuperscript{48}Le Monde, 3rd June 1995
\textsuperscript{49}(Najah Wakeem has actually argued that much of the fighting in the downtown during the war was paid for in order to ensure as much damage as possible to the area).
issues of aesthetic, cultural, social, economic, and political significance in the reconstruction effort, and to call a halt to the demolition. The conference also called for the necessity of an extensive government debate before decisions about the reconstruction plan could be made in good conscience. The group urged that consideration be given to other proposals and to the issues of concern that were being raised by the public, and by the holders of property rights in the Central District. However, electoral campaigning, which began the summer of 1992, overshadowed a lot of the public clamor over the Central District property situation.

As a result of this conference, on the 28th of April a team of engineers interested in the plan and the city center published a document that came to be known as the “Six Engineers’ Treatise,” which encompassed their vision of an alternate plan. This proposal included design descriptions of a new plan based on the aims of Dar al-Handasah’s version, but employing implementation methods that would achieve the goal with the input of the public sector as well as the private. The treatise addressed the previous Master Plan and “topped” it in that it preserved more of the social and archaeological fabric of the center, and called for development by a much smaller scale REHCO than that mandated by Hariri’s Master Plan. The treatise upheld the right of the original property owners to maintain control of their property, and left the door wide open for individual rehabilitation of plots.

On the 22nd and 23rd of May 1992, the Civil Research Organization held a symposium at the Carlton under the heading of “The Beirut of Memory; the Beirut of Sharing; the Beirut of the Future: The Politics of Reconstruction and the Public Interest.” The symposium addressed the issue from several different angles, and produced recommendations under the headings of “administrative,” “legal,” “social,” “architectural,” “financial” and “economic.” Out of the symposium came an insistence by its participants that the state honor its responsibility to ensure that democratic paths were followed in the reconstruction process, and that an open dialogue be maintained between all interested parties. The symposium also called for the cessation of the demolition that still illegally continued in the center, the freezing of the Appraisal Committees’ work, and called upon the government

---

50 Papers collected in Beyrouth
52 Translation my own
to publicize the expropriation of land. The “public,” concluded the symposium, needed to approve of the current state of the “politics of reconstruction” before any redevelopment plan was implemented.

Despite this progression of events, on the 14th of July 1992 the Council of Ministers, in a special session, decided on the basic structure for the Lebanese Company for the Redevelopment and Construction for the city center to be known by its French acronym Solidere. The Higher Urban Planning Commission, whose function it was to issue opinions on urban plans, denounced the Master Plan on the 17th of July 1992. The HCUP called for rethinking the plan from a number of different angles, including the implementation vehicles. However, the Council of Ministers, in the absence of twenty-three MPs approved the “Articles of Incorporation” by Decree No. 2537 dated July 22nd 1992.

Only six of the present MPs voted against the plan. When voicing their objections, MP Saleem Sa’ada quoted a verse from the Qur’an: “And eat not up your property among yourselves in vanity, nor seek by it to gain the hearing of the judges that ye may knowingly devour a portion of the property of others wrongfully.” MP Elias al-Mashrou simply said “Massikh,” or “Foolish.” None of the six MP’s who did vote against incorporating Solidere ever returned to hold office again.

The “Articles of Incorporation,” approved by Decree No. 2537, is a legal document that every firm is required to hold before it can function. The articles are in a sense a private company’s “constitution.” These articles state, and describe, the name of the company, its objective, duration and location of its headquarters, as well as its various organs, and their respective prerogatives and responsibilities. Solidere’s duration was initially fixed at twenty-five years. This duration, however, has recently been amended and extended to seventy-five years, in order to enable the company “to fully realize its objectives and to satisfy the interests of its shareholders.” The ratified “Articles of Incorporation,” in effect, meant that Solidere was granted complete rights to be a fully functional and private firm, and could now legally appropriate any and all land within Beirut’s Central District.

At the time of its incorporation, the company did, however, have several instances of litigation to deal with challenges by the original property right holders. Some of these

---

53 Al-Nahhar 24th May, p. 1
54 Pickthall translation
owners had submitted requests to the Council of State in order to repeal Decree No. 2236 dated 19th February 1992, which highlighted the BCD limits and the number of lots within, Decree No. 2237 dated 19th February 1992 which appointed the first instance and Higher Appraisal Committees, and Decree No. 2537 dated 22nd July 1992 which approved the Solidere’s “Articles of Incorporation.” These proceedings are still pending judgment.

On the 9th of July 1992 one of the original property owners in the city center brought a case before the Lebanese High Court of Justice. Out of this case, and partially as a response to the huge protests against the tearing down of “national patrimony,” emerged a monumental decision handed down from Judge Azzat Ayoubi that ordered the cessation of Decree No. 2236, associated with defining the boundaries of Solidere, as well as the cessation of Decree No. 2237 that included specification of the extent of the company’s involvement. This decision however, was the first and last that was anti-Solidere in nature that came out of this court. After Hariri came to office in 1992 all decisions made by the Lebanese judicial system were in Solidere’s favor.

In each of the cases brought forth by these owners, the plaintiff received a notice from Solidere that read:

Although the outcome of such proceedings cannot be predicted with certainty, legal Council to the Board of Founders advises that the decrees in question are in conformity with applicable laws and therefore such proceedings are unlikely to succeed.

Formally established on the 5th of May 1994, after its shares were fully subscribed to, Solidere presented itself as a “healing agency, designed to help central Beirut recover”56. In the original literature published by Solidere, the company was promoted as a reconciliatory institution saving Beirut from a future of underdevelopment. One academic described his uncomfortable feeling as he reviewed the company’s glossy brochures that made “no mention of the previous history of reconstruction not only because these histories do not exist in official terms but also because of the company’s peculiar and contradictory relationship to history”57.

Pursuant to Law No. 117, ownership of all real estate properties in the BCD, and all leases and other rights in such properties were compulsorily extinguished and deemed by operation of law to be contributed in kind to Solidere. All loans, mortgages and other encumbrances against such properties were discharged by operation of law, and the city center was transferred to the private firm.

58 Incidentally, these values were attached to the Class A shares delivered in respect of such properties.
Chapter 5

1991 Onwards

5.1 After Law No. 117

Our first task in trying to analyze Solidere’s creation is to understand the setup of the company, its obligations and exemptions, as well as its first few years of existence. How the firm survived its initial years is especially important. Why weren’t the public and the original property holders outraged at this firm? Shouldn’t newspaper editorials have furiously denounced what critics claimed was an undemocratic process? Why didn’t this company elicit massive outcries of protest and rage amongst stakeholders as well as the general public who might have sooner or later been affected by a similar reconstruction process? It might have been the case that everyone actually liked and approved of the project, or it may have been that Solidere’s strategies at winning over the public were just incredibly effective.

A weakened government and vulnerable political structure is primarily what seems to have allowed the firm to accumulate so much power. While Solidere’s incorporation was progressing, another process of ratification concerning the reconstruction of the city center was also in progress.

The originator of the idea, Rafiq Hariri, was slowly infiltrating the Lebanese federal government system. On the 13th of August 1992, while the public’s attention was focused on the upcoming elections (the first elections held since 1973 and in which Hariri was running), the Council of Ministers took the decision to ratify the Master Plan and it was approved on the 14th of October 1992 in the last session of the Council before its recess. The plan therefore, had no further opportunity for legislative recourse once it was passed.
The state had begun to reconstitute itself shortly after the war, and following the parliamentary elections in the summer of 1992 the last transitional government resigned and was replaced by a new Parliament and a new cabinet under the newly appointed Prime Minister, the "billionaire engineering tycoon," Hariri. The fact that the elections for the new National Assembly were boycotted by the majority of the population did not, by any means, reduce the power that Hariri gained when he accepted the position of Prime Minister. Incidentally, Hariri and his counterpart President Hrawi both got their six year term extended by an additional three years through a change in the constitution.

The ascendancy of the Hariri administration signaled a major turning point. While the country has always had a free-market economy, the arrival of Hariri—who as an individual was already a major player in the Lebanese economy, his net wealth the equivalent of the country's GNP—represented a dramatic intensification of market forces in national economic and political organization. Robert Fisk, in an article written for The Independent said, "the very existence of this wealthiest of all prime ministers - Forbes magazine lists him among the world's 100 richest men - has increased the value of the long-devalued Lebanese pound and is drawing big investors back to the country." In this new formulation of governmental authority it was Prime Minister Rafiq Hariri who quickly assumed most of the power and leadership. A Saudi national, although with roots in Sidon, to the south of Beirut, Hariri took office in 1992 and quickly became "committed to the restoration and the maintenance of political stability." He did this, first and foremost, by becoming the largest shareholder in Solidere, owning 7% of the company.

A great deal of allocative resources were at Hariri’s disposal, and were used by him to extend his power. Through his strong commitment to the reconstruction of Beirut, emphasized during the Lebanese Civil War by his private company Oger-Liban, and by his successful efforts to achieve the peace agreement of Taef, Hariri was able to establish himself as a new political leader and was already considered a potential Prime Minister by the end of 1991. He was able to occupy the top position in the important state-run CDR with one of his employees, and so it became possible for him to implement the beginning

---

3 "Hariri builds on the ruins of Lebanon - The Master of all he surveys" in The Independent on Sunday 23 January 1994
4 Interview with Mohammed Moghrabi
of the reconstruction according to his own plans. Later, as Prime Minister, he put his men in all relevant state institutions for the reconstruction, and established an actual decision monopoly⁶.

Even before becoming Prime Minister in 1992, two important decisions for reconstruction had already been made which favored Hariri; getting the law on reconstruction passed in Parliament, and getting the Council of Ministers to adopt “his” Master Plan. The appointment of employees and confidants of Hariri to important decision-making positions, (el-Shalaq in the national CDR for example), were strategic decisions that helped expand Hariri’s influence and power. By offering to carry out the reconstruction through a private company without any state involvement, Hariri achieved an indirect “transfer of power” from the government.

In fact, in the terms established by “Harirism,” the process of postwar reconstruction had been one of “astonishing self-enrichment”⁷ for the members of the government and their wide circle of business associates. The new government “not only opened the floodgates of privatization, its members, as individuals, [took] advantage of the very same market liberalizations that they mandate[d].”⁸ At least until the elections of 1996, the parliament included several opposition members who were critical of the government and its reconstruction plan and were able to block certain projects. During the 1996 elections, however, almost all of those oppositional figures lost their seats and “thanks largely to overwhelming vote rigging”⁹ were replaced by a complacent parliament made up largely of “businessmen in pursuit of wealth,” including Hariri. The Lebanese parliament today is one of the richest in the world with thirty-five millionaires and three billionaires.

The government’s support of private sector interests grew when Hariri ran for Prime Minister. Hariri worked hard to insure that Solidere would be in good shape when it started implementing its reconstruction plans; this included helping the company procure certain benefits after its incorporation.

In fact, under Article No. 60, of “General Provisions, in Exclusions and Exemptions,” it was decided that the company would be exempt from the provisions of Article No. 1 in the “Law on the Acquisition by non-Lebanese of Real Estate Rights in Lebanon,” and

---

⁷Interview with Mohammed Moghrabi
⁹Interview with Constantine Doumani, July 2003
relieved from needing to obtain the authorization to acquire real estate property. Among
the other significant exemptions were that the buying and selling of Solidere's shares would
be exempt from taxation, and that the firm's profits would be tax free for a period of ten
years.

According to an August 10th 1994 Council of Ministers' decision (based on an agree-
ment made with the CDR), Solidere was to be reimbursed by the State for all infrastructure
costs incurred, including; installing roads, public spaces, gardens, all networks, pavements,
lamp-posts, a power transformer unit, and parking lots. In addition, Solidere's responsi-
bilities in the reclaimed zone would be to treat the refuse dumped in the area over the
years, spread and compact the landfill, establish the sea protection, and install the total
infrastructure, the seaside boulevard, promenades, public parks and two marinas. Solidere
would be compensated for the infrastructure in cash, in lands belonging to the State, in the
right to exploit certain services resulting from the infrastructure, or in reclaimed land.

Weighed against the obligations of the company, to a certain extent, these exemptions
reflected the raw bargaining power of both Soldiere and the Lebanese government. How-
ever, they were also a result of the basic financial incentives necessary to induce a private
corporation to take on the project satisfy its opportunity cost and still make a profit. On
the flip-side, the reconstruction firm did have certain obligations. The "Obligations of the
Company" described in Article No. 61 included the following stipulations, the company was
required to; earmark a certain percentage of the funds received from cash subscriptions for
restoring the buildings\(^{10}\); draw up a time schedule for the execution of the project; finance
and ensure the execution of the construction of roads, squares and parks at the expense of
the state; and at the request of the CDR, finance the rehabilitation of the government and
municipal buildings located in the area.

In order to answer the questions we set out to at the start of this chapter we must
take a closer look at the internal structure of the company. On the 5th of August 1992 the
CDR, as directed by Law No. 117, published an invitation in the Lebanese media to form
the Founding Board of the REHCO in a period scheduled to end on the 15th of September

The CDR selected financiers from the pool that had applied following an invitation in
the newspapers. The successful candidates were chosen among "persons whose solvency is

\(^{10}\) Though there was no specification of what the exact percentage should be
established by bank guarantees acceptable to the CDR.” The Board of Founders formed on the 23rd of December 1992, and included one representative from the State (Walid Takedine), six representatives from the property rights owners (including lawyers, legal consultants and representatives of the Maronite, Greek Orthodox, Islamic, and Greek Catholic Waqf), as well as five representatives from the prospective cash investors. Nasser Chammaa was the Secretary General of the Board of Founders and the Representative of the Hariri Group. The representatives selected prompted one critic to say that Solidere was nothing more than a “collection of private interests and powerful individuals who gathered together as Solidere’s Board of Founders in 1992”11.

The Board of Founders was charged with organizing a detailed plan to be submitted for approval by public authorities, providing a detailed engineering design for the main infrastructure works, preparing tender documents, studying the marine works, and projecting a phasing plan and a feasibility study.

It was also decided that the company would be run by a Board of Directors, whereby at least two-thirds of the board members would be Lebanese nationals, and shareholders would be represented on the Board in proportion to their contributions.

A twelve member Board of Directors was formed to manage the firm. The Board would set the general policy for the conduct of the company’s business, conclude any agreements with the government and private sector, and generally manage the overall structure of the firm.

The formation of these boards and their subsequent actions is important to discuss because, by understanding their structure, we are are better able to interpret Solidere’s response to public opinion with respect to the creation of the Master Plan and its implementation.

5.2 The Master Plan

On October 21st 1993 the CDR completed and endorsed a Detailed Plan for the Project. The Detailed Plan was approved by the Council of Ministers and issued together with certain amendments to the Master Plan by Decree No. 4830 dated March 17, 1994. See Figure 5-1, page 82.

The original Master Plan had been created and approved with little to no public participation. Though the CDR and Dar-al-Handassah conducted several informative meetings for various citizen groups, these were intended as descriptive sessions, rather than gatherings to solicit input on the design. Critics called upon the CDR to endorse a more progressive planning attitude through establishing “citizen fora” so the public could participate in the decision making process. However, this never materialized. In its defense, the CDR pointed out that the current Master Plan required municipal approval as well as the approval of al-Tanzeem al-Madani (The Planning Directorate) before it could be submitted to the cabinet for official endorsement. Hence, the CDR argued, the plan would be modified when it passed through these reviews, and the public would in that sense be represented.

However, in post-war Lebanon, the municipality of Beirut was hardly functioning, and had no president. Out of the twenty-four members on its board, only four were still alive, and no new members had as yet been appointed. The CDR’s claim that their plan underwent public scrutiny was therefore invalid. Moreover, the conditions under which the original Master Plan had been approved also included very little public input.

One of the last acts of the previous government, shortly after the elections and before it resigned and was replaced by the Hariri cabinet, in fact, was the formal approval of Dar al-Handasah’s new Master Plan on the 15th of October 1992.

It was in an atmosphere of “national anxiety and concern” with the outcome of the September elections, and with no public participation in decision making, that the Master Plan for Beirut was disclosed.

Ultimately, the Master Plan came to be established without the consultation of any of the appropriate public organizations (Municipality of Beirut, Town Planning Authorities, Municipal Council) and without input from the general public, who did not participate in its conception nor a “debate over its merits”\(^\text{12}\).

Though outside of official forums, there was still a large public outcry against the Master Plan presented. In response to these objections, Solidere resorted to an interesting “lesser of two evils tactic.” The firm reminded the public of the various criticisms associated with the previous “Dar al-Handasah Plan,” as Solidere referred to the old Master Plan (with the twin towers that upset everybody). See Figure 4-1, page 53. The firm dwelt on the point that the ideas of this earlier plan were revised in the new and improved Detailed

---

Plan presented for approval. Solidere’s current Master Plan ratified by the government, according to the company, “highlight[ed] the intended reintegration of the Central District within the greater Beirut metropolitan area.” Unlike the original Dar al-Handasah plan, Solidere’s proposal would also include the planned preservation of certain buildings in the historic core, particularly in the, relatively small, area from the Grand Serail to Martyrs’ Square.

Under the guidance of Harvard educated Oussama Kabbani, Solidere’s Master Plan called for the creation of “a lively and attractive urban core in Beirut, balancing office space, residential area, commercial and retail zones, parks, promenades, beach facilities and two yacht clubs.” In contrast with the 1991 Dar al-Handasah plan which, some critics have commented, looks “deliberately like a red-herring”13, this approach seemed to mitigate the masses. The new Solidere plan, inspired praise, and exclamations that “the Central District would never have been rebuilt in such a timely and effective manner without the intervention of the private firm”14.

The Master Plan divided up the overall land area in the city center into “public” and “development area” lands. “Public” land was made up of roads and open space. The “development area” comprised of sites including retained buildings and vacant land. The total land area of the Central District, including 61 hectares of reclaimed land, was approximately 180 hectares. The total built-up area capacity of the Central District was set by the Master Plan at 4.69 million square meters, of which 1.45 million was reclaimed land.

To achieve its objectives, the company had put together a detailed Business Plan covering all areas of activity for Phase One of the project extending from 1996 through 1999. This phase, centered on the development of the traditional BCD, operated at both the macro level, in terms of identified objectives concerning economic and development activity, and at the micro level, setting out the individual projects and targets intended to achieve these objectives. Phase Two of the project, beginning in the year 2000, centered upon expanding the development to the peripheral areas of the BCD and onto the reclaimed land.

Angus Gavin, head of Urban Design at Solidere, made it clear, in our interview, that he believes that while Solidere’s roots may be cause for concern and suspicion, companies can change in objective and intent. He believes that when it came time for Solidere to

14Interview with Abdel-Rahman Solh, July 2003
propose the Master Plan, its intentions were clean, and it only wanted what was best for the city center. "During the development of the Master Plan the emphasis changed from that of a "grand plan," superimposed on the city center through a designer's vision, "as if from above," to an approach which "stemmed from the existing physical context, as if from below." It became a plan which grew out of the "site's historical context, its inherent physical opportunities and its links with the city as a whole." The past was, in effect, "informing the future."

In terms of Real Estate Development, in the fields of rehabilitation and restoration, Solidere would also develop preserved buildings which had not been renovated by their former owners. The company would also develop part of the available land and sell the rest to other real estate developers. About 571,000 square meters would be suitable for new development in the traditional BCD and 260,000 square meters in the reclaimed area would later be added to this.

Throughout this entire period, while the Master Plans were being debated and approved in government, the property right owners had still not been compensated. Furthermore, their complaints could only be heard through a Solidere-led appeals process, as the regular judicial system would not hear cases concerning compensation issues. The government had effectively handed over responsibility of appeal to the private corporation. In fact, public sector involvement in the Central District project as a whole was relatively limited.

The government had in essence simply issued the law that allowed the formation of Solidere. It had, within this context, specified the boundaries of the center and building outlines. The government had also formed an Appraisal Committee, as well as the guidelines for the basic structure of the REHCO, but was not involved in the actual details of the reimbursement process, or granting "due process" to opposing property owners.

5.3 The Appraisal Process

The Appraisal committees were formed of one judge, two engineers, one real estate appraisal expert and one economist. The committees were commissioned to give their professional and objective opinions on land-values within the Central District.15

---

15One economist, for instance, announced that, in his opinion, the actual present value of the land was zero, since there was no transaction, or sale, of land possible in the area until it had undergone massive reconstruction, indicating that the land therefore had no value.
The primary Appraisal Committee level included a judge of the tenth degree as president, and committee members were required to have five years of work experience. The secondary, Higher Appraisal Committee, included a judge of the fifth degree, and members had ten years of professional experience.

As required by Decree No. 2237, the Appraisal Committees started their work by publishing an announcement in the Official Gazette and three local newspapers inviting all property right holders in the BCD, for a period of three months, to submit the real estate numbers of their respective properties, as well as requests, pleas, written remarks, supporting documents, and to provide an address to which notices could be served. During this time, the Board of Founders would determine which real estate properties could be returned to their owners.

The committees were charged with determining the overall value of the respective properties. The determination was subject to review by a Higher Committee. Distribution Committees were entrusted with splitting the determined value of each property between the various right holders i.e. landlords and tenants. Each beneficiary would receive a number of shares in the new company equivalent to the appraised value of his land. The committees acted like courts and applied procedural rules that enabled all property right holders to submit their demands and documents. All decisions taken by the committee could be appealed before the Higher Appraisal Committee, and reconsidered. However, even if the Higher Committee issued an unfavorable decision, the ratification laws of Solidere decreed that the case could not then be appealed in the regular Lebanese court system through any ordinary or exceptional means of recourse for any reason, including abuse of power. The REHCO bylaws (supported by legislation) made it clear that “the compensation decision of the superior committees is final and cannot be further contested under the law.”

The argument for disallowing further recourse was that, since the evaluation and compensation decisions passed through two separate expert committees, even if a property owner were to appeal the decision to a higher court, that court would resort to the same sources of expertise for consultation anyway and so the procedure would be ineffectual.

These committees were empowered with the legislative authority of regular courts of law.

---

16 The provision applied to buildings that were; still standing, in a condition that did not preclude their intended use, and were real estate properties not covered by the reorganization according to the plan and guiding layout of the Central District.

that seemed to some observers “unsuitable” for their procedural nature. Moreover, since no further appeal was allowed, there was a fear that the government was abandoning its role as a public defender – a fear that would exacerbate the mistrust already felt towards public authorities.

Lawyer Mohammed Moghrabi, the Hemilians’ legal counsel, first entered the scene as a private citizen, concerned with the turn that Lebanese law was taking when judges agreed to sit on the Appraisal Committees. As head of the Lebanese Lawyer’s Association, he denounced the actions of these committees and argued against them. Later in his role as the Hemilian’s lawyer, he expanded his argument. While the committees were supposed to act like courts, and had judges on their board, Moghrabi pointed out that they were distinct in two ways:

1. The committees based their judgment on a literal interpretation not the intended comprehensive meaning or the “spirit” of the law.

2. The judges were not placed on the committee in their official judicial position, but in a much vaguer role as “civilian experts.” Because of their assignment in this context, they did not have to abide by honor laws that govern judges’ decisions and behavior in a courtroom.

On February 25th 1993, the Appraisal Committees submitted their appraisals of the real estate properties to the Higher Appraisal Committee. The total appraised value amounted to U.S. $1074 million. At the request of the Board of Founders of Solidere, the Middle East Economic Consultants (MEEC), whose General Manager was Marwan Iskandar, corroborated the appraisal of the property. The Higher Appraisal Committee published the results in the local press and invited property right holders to submit their objections and observations on the appraised value within a period of three months which ended on the 25th of May 1993.

On October 22nd 1993, the Board of Founders adopted a first list of 159 redeemable lots at a value of U.S. $370 million. Property right holders recuperating their real estate properties were obliged to surrender a corresponding amount of shares acquired in respect of these properties and ordered to pay to the Company 10 - 12% of the property value as appraised by the Higher Appraisal Committee; $250,000 in the case of the Hemilians.

18Interview with Mohammed Moghrabi, July 2003
This percentage was considered a contribution from the recuperating parties to the rehabilitation expenses of the displaced persons in the areas concerned\(^\text{19}\). The right of recuperation would be exercised in accordance with the terms and conditions specified in Article No. 63 of the “Articles of Incorporation.” Under this article, the Board of Founders, rather than the government, was liable for setting the criteria under which land was judged appropriate for expropriation or not, and which plots would be recuperable.

Under Lebanese general company law, a corporation can only be formed if its capital is fully subscribed to and the shares pertaining to each subscriber have been determined, identified and issued. The application of these rules would have prevented the incorporation of the company until all the rights of the previous owners and tenants had been irrevocably fixed and determined and all the shares of the company had been allocated to each individual right holder. Even today, the shares have not been completely distributed. Waiting until completion of the Appraisal and Distribution Committees’ work would however, have resulted in major delays of the project. After the final appraisal value was issued, the company had only six months to solicit the necessary shares and funds, otherwise its incorporation would be legally void.

5.4 Shares and Their Subscribers

At its incorporation Solidere had been authorized to fund itself in two separate ways, by issuing two types of shares; Type A and Type B. The company would receive cash subscriptions in the form of Type B shares that could be sold on the market. These would be balanced out by the actual wealth of the firm which would come from the appropriated land. These land owners would be compensated by receiving Type A shares from the firm matched to the amount their property was worth.

Together these two shares were valued at U.S. $1.82 billion. The Type A shares, initially appraised at U.S. $1.17 billion, were issued to the holders of expropriated property in the Central District in proportion to the relative value of their property claims. Type B shares could not exceed 50% of the firm’s total capital. On the 21st of September 1993, and in accordance with Article No. 6 of the “Articles of Incorporation,” the CDR determined the value of the cash capital to be equal to U.S. $650 million to be raised through the sale of 6.5

million Type B shares valued at U.S. $100 each to interested investors. Because the official Beirut Stock Exchange, damaged during the war, was still not set up, the property owners given shares were only able to be exchanged on the company’s own privately created stock exchange. The share owners still retained all the regular rights and privileges associated with owning shares in a Public Limited Company.

Solidere and the government argued that only by translating owners and tenants rights into share values was it possible to solve the coordination problem between the various right holders. Plots could be redeveloped more easily by moving from “a multitude of small owners unable to agree, to one entity with a dual interest, the interest of the shareholders, and the national interest.” All conflicting interests between owners and tenants would be solved by the Distribution Committee.

This aspect of the company was extolled as a significant innovation and constituted the main difference between the new structure of the company and the old structure of real estate companies as defined in Article No. 21 of the Town Planning Law. While this article originally limited the ownership of shares to the property right holders and the state, the new structure enacted by Law No. 117, provided for an association between such property right holders and cash investors.

In order to avoid the formation of a monopoly or allow the company to be controlled by large financial groups, no shareholder was entitled to own, more than 10% of the capital of the company. Any breach of this rule was sanctioned by “criminal penalties and by the absolute nullification of the act.” The shares of the company were immediately listed on the Stock Exchange, by exception to the general law, which requires that a company

---

20 These included:

1. The right to receive dividends in accordance with the resolutions of the General Meeting
2. The right to take part and deliberate in the General Meetings and vote with a number of votes equal to the number of shares held.
3. The right to receive a part of the Company's assets, upon its liquidation, in proportion to the number of shares held by him, subject in all cases to the Law on the Acquisition by Non-Lebanese Citizens of Real Estate Rights in Lebanon.
4. The right to benefit from all resolutions passed by the General Meeting granting the owner of the share or any class thereof any special advantage in conformity with the provisions hereof.
5. The right to the owners of shares issued in representation of contributions in kind to use them by priority as partial or full settlement of the price of real estate properties or sections of real estate properties or other rights thereof purchased from the Company. Such settlement shall take place at the market value of the shares.

operate for three years before listing, and forbids the negotiation of in-kind shares until
two years after the date of formation of the company. The company was also granted the
unconditional right to acquire up to 10% of its shares and to keep them for 18 months.

Solidere was successful in raising U.S. $650 million in cash capital through its Initial
Public Offering. The first sale of land in July 1995 was reported by Al-Hayat, the Arab
daily newspaper at U.S. $950 per built-up square meter, (at an area of 4.5 million, we can
roughly estimate Solidere's overall worth to be at: U.S. $4.275 billion)22 The original value
of the company however, was set at $1.17 billion. But why would Solidere purposefully
undervalue itself?

In accordance with Chapter VIII of Article No. 3 of Law No. 117, the Company was
required to set up a schedule detailing the projects' phases of execution and to file it with
the appropriate government authorities within a period of six months from the date of its
incorporation.

This meant that after the appraisal period was completed and the overall price of the
city center was worked out, the company had six months to find the cash subscribers to
provide the necessary liquidity and balance the land value. In other words, if the overall
appraisal of the total value was low, then the company would have little trouble acquiring
the required value in six months. If the appraisal value was high, then the company would
have more trouble. The government, however, had no alternate plan for reconstruction, and
without the REHCO “all hope would be abandoned” for rebuilding the center23.

Because no official stock exchange existed, there was a concern that the shares might not
be adequately subscribed to. To encourage potential investors, tax exemptions and lenient
land regulations were offered as incentives. The law exempted Solidere from Lebanese
Income and Capital Gains tax for a period of ten years from its incorporation. Shareholders
were also exempted from the Lebanese Withholding Tax on Dividends and Capital Gains
Tax for the same period.

On June 23rd 1994, a secondary market allowing for trade in Solidere shares became
operational. This market was under the supervision of the Bank of Lebanon and organized
by the Société Financiere du Liban, an organization comprising forty-six Lebanese banks.

But the worries of undersubscription were unnecessary, and within a few weeks, until

22 Al-Hayat 4th July 1995
23 H. Schmid. The Reconstruction of Downtown Beirut in the Context of Political Geography. Arab World
its closing in January 1994, the stock offering had been oversubscribed by 142%, U.S. $962 million offered by twenty thousand subscribers.

5.5 Solidere’s Strategies for Widespread Acceptance

Many critics asked, “where is the government in all of this, and what role is it playing?” The government thus far had merely provided a necessary bureaucratic step in the approval process rather than an actual involved and monitoring body. The reconstruction of the Beirut Central District could in this way be defined primarily as one between a “promotional approach advocated by the private sector,” and a “remedial-bureaucratic approach advocating public sector intervention.” While Hariri had hardly made any public claims so far, now that Solidere was ratified, the burden of approval had moved from the legislature to the public arena.

As in the U.S., Lebanon’s government is divided into; executive, judicial and legislative. The executive branch is run by the Council of Ministers, headed by the Prime Minister. The legislature is made up of a 128 member Parliament. The Judiciary is based on the French system. The Judicial Tribunals deal in civic and penal law, and the “Conseil d’Etat” for administrative questions. Now that government ratification of the Solidere Project was complete, the battle moved from the legislative to the judiciary and executive.

The executive and administrative branches are more directly accountable to the public. Even though the judicial branch may be out of the sphere of influence of the ordinary person, the prime minister and president are elected in Lebanon, and so are accountable to the voters. The President being answerable to the Christian Maronites, and the Prime Minister to the Sunni Muslims.

Solidere and Hariri devoted much energy to swaying public opinion and trying to gain control of the executive domain. Foremost as a mechanism was the media. So far, apart from a couple of nasty editorials, the media had been mostly on Hariri and Solidere’s side. As Makdisi pointed out, “the media and the public have generally reduced Lebanon’s post-war reconstruction to Beirut’s reconstruction, which in turn has been reduced to the reconstruction of the Beirut Central District, which has been attributed to one person, the

Imagery, especially that concerning the "image of Beirut," was very important. Countering Hariri's image of Solidere as the rescuer of the city, the opposition, representing the former owners and tenants of the city center, intellectuals and town planners, had its own characterization of the project and how it affected Beirut. When looking at the property owners handbook for instance, it asks "What good is a capital city with its heart ripped out?" See Figure 5-2, page 83.

For Hariri, the image was one of the "Hong Kong of the Mediterranean," a revival of the theme of "Paris of the Middle East" but in a new world. The clash of these two images triggered a very heated public debate, described as "the first public debate since the beginning of the war, and the first on urban matters in Lebanon's history."26

The marketing efforts employed by Solidere aimed at making their project seem like the sole viable alternative to reconstructing Beirut. Opponents to the project were portrayed as opposed to rebuilding Beirut in general, and showing "favoritism to destruction."

In Ayman Trawi's introduction to his recent picture book of the city center, the opposition to this project are strongly denounced:

History repeated itself. This time, it did at the hands of Mr. Rafiq Hariri. Unfortunately, it repeated itself under virulent criticism and slandering, reminiscent of the violent hate campaign mounted against Baron Haussman during the execution of his development and reconstruction project of Paris.

Voices of dissent were regularly heard in the Beirut of the last decade as in the Paris of the 19th century. Loudly rejecting the development and reconstruction project behind slogans leading to wars and total stagnation in thinking, planning, productivity and achievement, they halted completely the renewal process. Under the banner of patriotism, they attacked its architectural, cultural and legal aspects, thus trying to keep Beirut in the age of darkness, its squares desolately empty and the threat of civil strife looming in its horizon.

The struggle over the reconstruction of Beirut's city center, negotiated through the media was a process whereby different protagonists tried to convince the public of their position through "strategic truths" and "geographical imaginations."27

In one Lebanese advertisement the headline read, “Fair and Square: We're Proud to be Solidere.” “Public opinion” was not just restricted to Lebanon; these images, especially Hariri's, transcended borders. World public opinion, was important to a developing country reliant on foreign governments and international institutions for loans. In the face of active protests by the landowners, Solidere’s massive advertising campaign not only plastered huge posters all over Beirut and the rest of Lebanon, but also took out advertisements in foreign newspapers and magazines. There were large-scale mailings of glossy information booklets, and maps. (This campaign had actually begun before Solidere officially came into existence, although the advertisements were technically sponsored by Solidere’s Board of Founders.) The New York Times ad reads “We’ve invested in the future of an ancient city,” and in the Financial Times it reads “In Lebanon everyone knows we must rebuild Beirut’s city center. We know how.” Foreign investment had lowest priority on the list of share subscribers, it was not money that Hariri was after with this campaign; rather it was the support of international governments and organizations. The persuasion would prevent these watch-dogs from criticizing too strongly any abuse of private property they saw.

It was not just advertisements either. The Solidere project attracted entire features on itself in countless different publications globally. Among the more flattering articles was the Financial Times’ twelve-hundred word article Glimmer of Confidence which featured, “Mark Nicholson on the hopes of Lebanon’s Prime Minister to rebuild the “Paris of the Orient”.”

Gradually Solidere and Hariri succeeded in exercising political and economic pressure on the formerly open and multi-layered media landscape. Newspapers and TV stations that reported critically about Solidere were threatened with the withdrawal of advertisements. The audio-visual law of 1996, which drastically reduced the number of TV stations in Lebanon, was especially important because it prevented the opposition from gaining access

---

28 Carte Blanche in Arab Ad 12 December 1993,  
30 Financial Times, 9 July 1993 p14  
31 Stocks could only be sold and purchased by certain individuals in the following order of priority; the original holders of the property rights, which were mostly Lebanese, but could be of any nationality; Lebanese citizens and companies; the Lebanese state and public institutions; and finally persons of Lebanese origin, as well as the citizens and companies of other Arab countries. Non-Arabs, unless they were originally property holders are not permitted to buy shares (though because of special exemptions to strict Lebanese laws regulating the ownership of land by foreigners, they would be allowed to purchase real estate from the company once land and buildings were placed on the market by Solidere.)  
32 Financial Times, 25 January 1994
to the reporting. Three TV stations with a critical attitude towards Solidere were forced to close. The result was that the most important media became less free and independent in their reporting\textsuperscript{33}.

As tourists and Beirutis returned to the city center, the popularity of Solidere, and the acceptance of the “Hong Kong” image soared in popularity. Part of this acceptance in the public discourse was due to the financial resources of Solidere and the increasingly (government) controlled media, as well as to the widespread acceptance of this image within the Lebanese post-war society. Maybe after sixteen years of Civil War, the Lebanese were ready to cling to a “euphoric” modern image that would once again make them proud of their country. Hariri played up the idea of a “new blossoming international center of finance and commerce”\textsuperscript{34}, relying heavily on photographic contrasts between the old ruined center of the 1960s and 1970s, and the refurbished center.

The opposition, for their part, tried to promote alternative ideas for the reconstruction by using Beirut’s traditional image as the “Paris of the Middle East.” Thus the opposition, in their discourse, referred instead to an already established image by focusing on the ideas of peaceful coexistence and economic prosperity that symbolized pre-war Beirut. The original property right holders tried to combine their demands for preservation and recuperation with the image of a Beirut that lived in the population’s nostalgia in order to connect the concept of expropriation with a destruction of this image. Their marketing campaign focused on portraying the reconstruction as an eradication of Beirut’s history\textsuperscript{35}. Each side thus used the media to propagate their images and story and incite the public.

Solidere designed impressive (and exaggerated)\textsuperscript{36} illustrations of the future city center, with gorgeous Manhattan skylines, grass, trees and no traffic. The company advertised through radio, cinema, television and newspapers. The protagonists of the opposition could hardly counter this expensive advertising campaign of Solidere because of their restricted financial situation and weaker institutional structure. Nevertheless, they managed to organize several public-relation activities, such as press conferences, newspaper articles, and leaflets.

\textsuperscript{33}Interviews with opposition groups and Solidere, Dajani 2001, Denoeux and Springborg 1998
\textsuperscript{35}Interview with Rayaa Daouk, July 2003
Of course it is misleading to simply say “the opposition.” Though sometimes joined in their efforts and advertising initiatives, the opposition for the project is actually split into two distinct types. The first was opposition (formed of many distinct groups) that objected to the Master Plan on a purely aesthetic, environmental, intellectual or historical precedent, like the Organization of Protecting Environmental Spaces and Old Buildings, and the Assembly of Banks. The second were those that objected to the existence of the company and its appropriation of private land on an ideological level.

The opposition formed by these separate constituents was by no means a unified block. Some, like the Assembly of Banks, were more powerful than others, for example the artists concerned about reduced public space in the new city center. The strategy employed by Solidere, was one of “divide and conquer.” Each constituent tackled separately could be won over, and certain strategic exchanges could guarantee the company political support.

At times the opposition groups even came up in a head-to-head conflict. The Historical and Archeological societies wished to preserve the nature of the original city center, and so were lobbying for lower densities. The initial Master Plan had set the floor-area-ration (FAR) factor to 4.2. The opposition to Solidere argued that it should not exceed 3 to preserve the features of the old Central District. Solidere, with approval from the Council of Ministers, increased this factor to 5. The increased FAR created severe reservations on the part of the engineering group responsible for implementing the Master Plan, so much so that the head of the team Henry Eddé, credited with being the lead architect for the city center project, submitted a letter of resignation in protest. However, according to Oussama Kabbani, Solidere’s Town Planning Manager, the Council of Minister’s rationale was acceptable because, “it was unfair to drag people into a partnership where the FAR [is] 3.7.” It would seem to make economic sense that the original property owners support Solidere in this matter, rather than the opposition groups advocating a lower index. A higher FAR means higher profitability. The original property owners were shareholders in the firm, and so had incentives to further its economic success, and so a higher FAR.\[37\]

From Public Opinion to Public Benefit

What is amazing about this story is that, in less than two years, the Parliament had ratified a law for the creation of a private REHCO. Following this and in a rapid succession of events,

\[37\]Unless of course they were so opposed to the venture as to disregard their investment in the project.
Solidere was established. On the 19th of February 1992, the Council of Ministers determined the limits of the BCD project zone. On the 22nd of July 1992 the Council of Ministers approved the “Articles of Incorporation, and by mid-October 1992 the Council of Ministers approved the BCD Master Plan. By the end of December 1992 the CDR completed its formation of the Board of Founders. On November 1st 1993 the Board of Founders issued a cash subscription, and the CDR and Board of Founders then called for the Statutory General Meeting. The Council of Ministers appointed Preliminary and Higher Appraisal Committees, followed by the appointment of a Distribution Committee on 18th June 1993. By the 26th of August 1993 the Appraisal and Distribution Committees had completed their final appraisal. By September 1993 the CDR had completed the determination of the cash capital. Solidere was incorporated on May 15th 1994.

The feeling of mistrust created by this rush of events was not short-lived, certain stakeholders felt that Solidere was trampling over local interests. The company’s ahistorical approach to planning the Central District, left many embittered.

Solidere is currently the largest publicly quoted company in Lebanon. Since its final incorporation, Solidere has put itself to work and started to implement its basic mission in accordance with the Master Plan.

But, winning over “public” opinion is interesting in the case of a private firm. The firm, first and foremost, is concerned for its own shareholders. The next chapter will explore the idea of Solidere and public benefit in the context of secular property law.
Figure 5-1: A Detailed Map of the Master Plan for the Beirut Central District
Figure 5-2: Opposition Brochure: “Pity the Nation Whose Heart is Ripped Out and Does Not Revolt”
Chapter 6

Secular Property Rights

The St. Georges Hotel was a legendary resort in Beirut. The hotel was frequented by Kim Philby, Paul Getty and Elizabeth Taylor, and The New York Times once described it as, “just too fabulous.” Today the St. Georges “remains something of a symbol of what Beirut became.” The last guests “fled away in bulletproof limousines” during the infamous “War of the Hotels” in late 1976, when militias commandeered waterfront hotels, and St. Georges went up in flames. After the war, when Solidere entered the scene, a battle developed over the famous St. Georges yacht club.

Although the waterfront adjacent to the hotel fell outside Solidere’s land as circumscribed by the government, the company built a U.S. $230 million seawall encircling it (to block off the 60-foot waves that batter the coast every hundred years). Moreover, the developer announced that Prince Walid bin Talal, the Saudi businessman, had expressed interest in building a Four-Seasons hotel facing the 500-yacht basin.

Fadi Khoury was enraged at Solidere’s proposal. Since its construction in 1929 the St. Georges had had some form of water access. The marina plans stalled as the legal battle began, however in the winter of 2001 the government evicted all 50 boats moored by the Hotel and declared the basin to be Solidere’s.

A Solidere spokesman, commenting on the situation publicly, said, “we are developing here many projects, which we believe are more interesting on a national level than this one hotel. Many investors were reluctant to go on as long as the marina problem was not solved”\(^1\).

\(^1\)Interview in the Daily Star, September 1992
Khoury now spends most of his days in an unfinished annex. Across the street on the
St. Georges' roof is a camera that pans across the new marina, and streams a picture onto
the screen on Khoury's desk. Every so often he manipulates the control stick to zoom in on
a Solidere construction crew. "If we weren't watching, one day they might fill in the whole
marina just to get some more land," he says. "Without water access," he continues sadly,"St. Georges may not have much of a future." 2

Today the hotel remains undeveloped, and a huge tarp covers its front, with a picture
of the lively St. Georges' of the past, and large writing that reads in Arabic, "St. Georges
Hotel – should this be allowed?" The question of "what should be allowed" in terms of
property rights is explored in this chapter.

So far we have seen the creation of a private REHCO designed to reconstruct Beirut's
Central District. The real questions arise when examining the ripple effect that this project
had on property rights in future Lebanese projects and other similar initiatives in the Middle
East.

The justification for passing Law No. 117 boiled down to two main reasons; the financial
state of the government meant that it was unable to undertake the work, and the fragmented
and complicated ownership of property in the city center meant that reconstruction would
not be easy if left to individual owners.

Ultimately, we are left to evaluate the summary solution to the reconstruction issue,
the completely private Real Estate Holding Company, Solidere, "a congregation of property
right owners, and cash investors, coupled with the support of the state" 3. There are, of
course, several different ways we could approach the evaluation of the Solidere project as a
development model. I will focus on analyzing the legal aspects of the development model
here.

We must keep in mind that when we talk about whether the Solidere process was "legal"
it is more than simply asking whether or not the firm was within its rights to appropriate
the land. Part of the "legal" process involves procedural rights, and so includes a more
historical perspective than evaluating the firm based on a simple reading of the law.

6.1 Private Property

The right to private property is often considered a natural, or inalienable human right. Property rights are not natural in the sense that individuals are born with them, but rather that the “force” of these rights can be recognized as valid by moral and rational people apart from the provisions of any positive law. Property is not a two-way relationship between a person and a thing, rather the legal relations involved should be thought of as a relationship between people.

Transfer of property from private to public use has found different rationalizations in different contexts. In the United States, for example, the right of property is broken down; the right to own property is distinguished from the right to develop or build on landed property. A similar situation of property transfer from one private owner to another constitutes a major problem (think of the urban renewal movement in the U.S. after 1949). In the American context, the controversy of transferring landed property from one private owner to another is legally endorsed by the argument that “the concept of public use is not to be confined to the notions of public ownership of property and public access to property”.

The concept of property is the idea of a system of rules governing access to, and control of, material resources. There are three basic principles of property ownership, that should, in a state that values principles of private property, be available to the same individual. They are the power of disposition, or being able to sell your property; the power of use, being able to employ your property as needed; and the power of exploitation, or using your land to its fullest advantage. Within this relationship, a private landowner would expect that he had a claim right against other private owners to protect his land. This right is only trumped by the eminent domain powers of government.

Two aspects of the Solidere operation had a direct bearing on the understanding of property rights as described above. The first was the compulsory participation of owners and occupants in the REHCO, and the withdrawal of their right of occupation, or the right to return to their premises. Those who still legally resided in the center would be obliged...
to vacate their dwellings. The second feature was the removal of the physical boundaries between property lots and their combination into a single unit.

**Property Rights in Lebanon**

Property rights in Lebanon and the Middle East, for the purposes of this chapter at least, can be seen as split into secular property rights, and religious property rights. Property in the region is often thought of as the “means by which people gain power, not only at the local level, but at the national and international levels as well”\(^9\). Within the analysis of secular property rights, it is interesting to keep four separate idioms of the way in which property law is used in mind; as an idiom of social relations; as a means of control and centralization; as a means to gain personal power and achieve mobility; and as a means of social engineering\(^10\). Historically Lebanon has been a country that has seldom seen self-rule, and traditionally colonialism and subsequent nation-building attempts have used property as a means of control and centralization, molding and adapting property concepts for their own benefit.

Conceptions of property rights in Lebanon are, as described by Samir Khalaf in *Lebanon’s Predicament*, a “paradox.” The country is torn between valuing individual private property rights, and upholding traditional notions of communal land holding within families and religious groups. The Ottoman Empire rule, and then the French, imprinted on this previously stateless society a deep-rooted fear of foreign powers, outside of the system, infringing on personal, and tribal, property holdings. After independence, as was the case with most post-colonial countries, the Lebanese clung very tightly to their domestic ownership. The newly established Lebanese state not only remained very suspicious of any foreigners trying to buy land in the country, but was also careful itself not to extend too far into the holdings of its population.

The way land is used, controlled, and distributed in a society under conditions of “an excessive degree of individualism at the personal level and the near absence of government intervention at the state level,” was described by Samir Khalaf as being a key factor necessary for analysis when reviewing large projects in Lebanon. Lebanese values, he argued,


have tended to emphasize individualism and nonintervention, and find it hard to cope with
the growing need for urban planning in their society, which has no tradition of state plan-
ning. This situation, he claimed, was further complicated by political pressures originating
outside of Lebanon that also undermined the ability of the Lebanese government to plan
effectively for the urban environment. Successive migrations of Palestinian and Lebanese
refugees resulting from the Israeli expansion and the bombardment of Southern Lebanon
have congested the urban areas. In addition, the influx of capital from the Saudi Ara-
bian peninsula has resulted in soaring land values. These external factors have undermined
the Lebanese government’s ability to implement large-scale urban planning projects to re-
solve the current crises. In fact, since the 1930s Lebanese planning initiatives have been
categorized by “audacious planning and executive ineffectiveness”\textsuperscript{11}.

When compared to adjacent Arab regimes, the laissez-faire system in Lebanon stands
out for its liberal traditions. In mobilizing and managing its human and economic resources,
successive governments in Lebanon have pursued policies that encourage private initiatives
and free enterprise in virtually all sectors. This “rampant liberalism” manifests in “exces-
sive degrees of individualism” at the personal level and the “near absence of government
intervention” at the state level\textsuperscript{12}. Urban planning has thus had a “relatively antagonistic”
relationship with Lebanese society\textsuperscript{13}. By its nature, planning has sometimes involved
restrictions on certain freedoms, but the Lebanese have in general always “resisted such
restrictions” and continued to “perceive any plan as an unwarranted infringement on the
private use of property.” It becomes “pertinent within such a context” to explore how such
seemingly incompatible traditions - norms associated with laissez-faire, freedom, and non-
intervention, and those necessitated by the growing need for planning, coordination, and
control - have been reconciled in Lebanon\textsuperscript{14}.

In the early 1930s, public officials in Beirut began to be concerned with the physical
development of the city. Lebanon was under the French Mandate, and all the early plans
were inspired and undertaken by French experts. Teams of specialists were assembled to
prepare the guidelines to direct the future growth of Beirut. “Arrayed against the planners”

were local interest groups and politicians, who saw the plans as a threat to private property rights\textsuperscript{15}.

1932, 1944 and 1950, all saw various city plans drawn up for Lebanon, but never ratified. The General Master Plan which was put together from 1951 to 1954, was the only one to have received official approval. This plan focused primarily on constructing a network of roads with no provisions made for zoning, industrial location, tourism and so on. And it involved nothing that would infringe on private property rights.

The Lebanese government had very little direct involvement in planning initiatives. It seemed from past plans that the population was very averse to the concept of expropriation.

This history is important to keep in mind when looking at the Solidere project. The distaste for large government projects is clear, which would dispose the public towards an option like Solidere over an eminent domain option. However, there is a question of whether this hostility would emerge towards any project that would infringe on individual property rights, be it a private or public venture. Looking at the history of property rights law, it does not seem to be the case that the Solidere project emerged naturally from the public’s historical consciousness of these rights.

**The Ideals of Modern Property Law**

Article No. 15 of the Lebanese Constitution specifies that private property is protected by law, and expropriation is impermissible except in cases where the public benefit is assured, and in those cases where adequate compensation is offered. In the case of secular law, we must examine the rigorousness of the project when it comes to satisfying these two conditions.

Expropriation of land is usually defined as the taking or modification of an individual’s property rights, generally through eminent domain. Eminent domain is the government act of converting privately owned land into public land, subject to reasonable compensation. Projects all over the world such as highways, or dams, have involved the expropriation of land in order to be complete the initiative and secure a broader public good.

Articles No. 19 and 22 of *Kanoon Tanzeem al-Madani*, the General Laws of Urban Planning, define the parameters under which the government is allowed to appropriate

private property. Article No. 19 states that the appropriation of land is only "allowed for the immediate use of the public administration to implement its urban redevelopment plan." Article No. 22 explains that the possibility of compensating property owners and legal tenants with shares is only allowed when at least an equal public-private partnership is in place. Lebanese trade law relinquishes government control over shareholding companies completely. Decisions in private companies are made by board members and voted on by shareholders. Lebanese trade law is to be upheld in the case of Solidere, and private investor rights protected. This indicates that there can be little to no government involvement or the possibility of a public-private partnership with Solidere.

The CDR, the government’s planning organization, commissioned a French Constitutional Law expert to analyze the constitutionality of the REHCO law. The final report claimed that the Law No. 117 itself did not conflict with the Lebanese Constitution, however “it is the potential abuse of its implementation could result in constitutional as well as legal conflicts.” This expert opinion did not, however, prevent fierce opposition in the courts, where the opposition argued Solidere was undermining the public benefit.

6.2 The Ideals of Secular Property Law and Expropriation

The Public Benefit Ideal

There is no adequate and systematic definition for “public benefit” in Lebanese law. “Public use” for which governments can exercise the rights of eminent domain includes “public safety, public health, morality, peace and quite, law and order and even esthetic considerations.” Ideally, public benefit, would not be a subjective term, however, since there is no systematic legal definition of “public benefit” by legislative and judicial bodies, we must take the term to mean what we believe to be its intended “spirit”.

Generally, we take something that is “in the public benefit” to be a good thing, and most reasonably minded people would say that it is acceptable for private rights to be sacrificed (not often, and with full compensation of course) in order to help the greater good of society. We most often see the public expropriation of land in order to build roads, or for public transportation projects. Generally this is not an easy process, and the owners of the expropriated property are often up in arms protesting the abduction of their private holdings. In the case where the government issues a decree of eminent domain, the parties
affected can take the government to court in order to preserve their titles.

Exercising the right of eminent domain is never easy. Private property rights are considered inalienable. Honoring these rights is essential to the stability of future investment and the smooth running of the capitalist economy. Given this is the case, and that in the Solidere project the degree of financial compensation was considered inadequate, it must have been the case that the private firm was doing something extraordinarily beneficial to the public. There were really four main complications, unique to the Solidere case, that the firm had to deal with in order to expropriate land:

1. The expropriation was being done by a private and not a public entity.

2. Lebanon has a history of strict independence and financial autonomy that values private property highly.

3. Expropriation, even in the case of eminent domain, is difficult and the burden of proof is on the expropriator to prove it is in the public benefit.

4. The eminent domain procedure, though in existence for a long time in Lebanese law, has rarely been used (once in Riyadh Solh Street in BCD in the early 1940s). It is considered unjust towards the property owners in depriving them of commercial improvement of their property. Even the government goes through long processes and deliberations before it approves the expropriation right, and it seems that it would be even harder for a private firm to convince the Parliament and Council of Ministers of its ability to work for the public benefit.

Since Lebanese law is based on French law, the French constitution is often referred to, and this will be the starting point of analyzing whether the firm is actually working towards the “public benefit”.

Whether or not the Solidere project was a “good” idea depends a lot on how “publicly” it used the land, over and above the individual property owners who, it is assumed, work towards their own private benefit. The justification for Solidere’s existence was, after all, that it would increase general welfare, or work towards furthering the public benefit.

---

16 Interview with Mohammed Moghrabi, July 2003
The arguments that were brought up in the legal cases are outlined below. The discussion will focus on the issues at stake rather than the detailed laws referred to. Since this type of development model has become mainstream in its usage across the Middle East, I think that there is something to learn about the project by looking at these arguments, if only in an analytic way.

6.3 Solidere and the Public Benefit

Solidere's representatives and its supporters made their case as follows:

International Downtown Revitalization

In the past 20 years, with a growing and shared international experience in urban regeneration and inner-city revitalization, we have seen a “strong revival in urban values and a rediscovery of the commercial, cultural, and residential benefits of the inner city.” There has been a “sensible rationalization” of the types of uses that need direct access to Central District institutions and markets and that can absorb the relatively higher central area land values. But the traditional downtown -offering a broad mix of uses, “embellished by the patina of history and providing a social arena for the whole city” -is back. Renewing city centers, and focusing on the virtues of downtowns has become a recent fashion amongst city planners. Angus Gavin of Solidere, commenting on Beirut’s project in relation to the rest of the world, said, “planners, economists and developers have recognized that cities cannot function as diffuse communications systems - they need centers.”

Nowhere was the need for a center more apparent than in Beirut, where there was an almost tangible sense that the was city missing its heart. This was expressed in the pervading feeling of the need to “fill a vacuum” through a strong development interest in the Central District, commercial pressures to invest, and in the desire of businesses and retail traders to return to the city center. Since the war, the city had remained socially and psychologically split. Through a reconstruction project it would be brought back together to achieve its full role and identity of a vigorous and lively Central District.
Rebuilding the Center in Record Time

Nothing speaks as well for Solidere's contribution to Beirut as pictures can. Comparing before and after images, it is easy for the reader to see the incredible transformation that occurred. The extent of rehabilitation carried out by the firm speaks for itself. See Figure 6-1, page 95.

Solidere’s city center project had lofty goals. Apart from rebuilding the city center, its spillover effects aimed to increase production in most of the economic sectors in Beirut and Lebanon. The increased demand for both skilled and unskilled labor provided 5,000 temporary, and 100,000 permanent, extra jobs. The project would generate a flow of capital to Lebanon in parallel with the expected reduction in the budget deficit, which would, in turn, help improve the exchange value of the Lebanese pound.

The Solidere initiative would help the reactivation of the financial market and the stock exchange, have important positive effects on public expectations and consolidate confidence in the future of Lebanon’s economy.

The project’s speediness ensured that by 1999 1.2 million square meters would be completed, an additional 2.1 by 2008, and the final 1.1 million square meters by 2018. Even if the government had sufficient finances for reconstruction it was unlikely that the public sector would be able to complete the project so efficiently. Given the great psychological value the center held for Beirut and Lebanon, its reconstruction would have sent the clearest message that the war was indeed over, and Beirut was well on the road to recovery.
Figure 6-1: Ayman Trawi’s Before and After Pictures
People Love the New Center

The city center drew tourists back to Lebanon. Beautiful images of ports, new residential neighborhoods, and booming business replaced the pot-hold building pictures that had traditionally represented Beirut's image in International media. See Figure 6-2, page 96.

![Figure 6-2: Pot-holed Building](image)

As Ayman Trawi put it:

Good fortune was bestowed on Beirut the day it found its caretaker who uplifted the heart of the city from under the then existing rubble of death, destruction and oblivion, and brought back its torn landmarks, distressed towers and desolate alleyways to a new life of beautifully restored buildings and newly erected ones, wide avenues and bright streets.

An outcome of central area reconstruction would be to re-establish the city center as the neutral arena for all the country's diversified communities. The Central District - at the geographic heart of the metropolitan area, with access to the airport and port, forming the traditional center of government, hotels, banking and shopping - could readopt its natural role as the city's meeting point. The numerous ethnic and religious communities, polarized during the war, that remained to a large extent disengaged, might be reconnected through this project.
Set Standards for Other Projects

In his work, Gavin also proudly exclaimed, “through the renewal of their city center, the citizens of Beirut will be able to reclaim a public domain that sets standards to be matched elsewhere.”

When reflecting on his experience with such companies as Solidere in the past, Angus Gavin remembers his time working as a planner with the London Docklands Corporation. The London Docklands, most famous for Canary Wharf, redeveloped a part of London outside of the traditional confines of the city’s “Square Mile.” The development was based on a vision for London as a European financial hub. The project was seen as having “successfully established a new Financial District”\(^\text{18}\). The true benefit of the project, claimed Gavin, extended beyond this. The high quality working environment produced a competitive presence in the City of London, and the government which had previously been neglecting working conditions within the “Square Mile,” now realized that its conservationist approach needed to be reformed, and began to allow large floorplate buildings to be built within the area. Gavin explained, “the influence on the marketplace and on the projects of other developers led to a 20% increase in prime office space in London at a time of intense competition between European cities for market leadership in international banking and financial services. This single visionary project did a lot to maintain London’s role as a leading financial center within Europe.” This sort of competitive relationship with the government might also be the case for Solidere. Certain inefficient policies may be reformed, now that the government has a higher standard to work against to maintain revenue from certain ventures.

Gavin calls the project the start of a “Brave New World” emphasizing change and innovativeness. It is not far fetched to think that the reconstituted city center could play an important role “in the modernization of Lebanon’s regulatory and institutional framework for urban development”\(^\text{19}\). The Central District became a model project for the testing and development of new norms and standards, planning controls and practices. These did “much for the modernization of the development and construction industries in Lebanon” and were a “likely precondition to securing major overseas investment in projects”\(^\text{20}\).

The city center project, as the first large scale initiative in Lebanon, not only set the

---

\(^{18}\)Interview with Angus Gavin, July 2003


\(^{20}\)Interview with Angus Gavin, July 2003
standard and helped create investment interest, it also helped establish the much needed institutional infrastructure for reconstruction after the war. Many construction-related standards and codes of practice began to be developed through the National Commission for Norms and Standards, established in 1994, specifically to coordinate a process of normalization for the whole country. Solidere quickly became an active contributor to the National Commission, and played a formative role in the development of a number of codes and standards, including the fire safety code, site safety regulations and standards of accessibility for the disabled.

Angus Gavin, the head of Urban Design at Solidere, explained his perspective on Solidere as a private company acting in the public benefit, by giving a rather interesting argument. The public benefit, said Gavin, is (or should be) a response to public demand. If the public demands a new road, then it is in the public benefit to build a road. The best indicator of "public benefit" is therefore "public demand," and the best indicator of "public demand" is the market. In a private and competitive market, at the efficiency point of market clearing, and in order to maximize profits, a firm must cater to the needs of its consumers. What better way to understand public demand then, than by having a private firm, geared towards this end, in charge of the process?

Indeed, Gavin may have been be describing one of the rationales behind the increasing privatization of cities. Unfortunately, in the case of Solidere, at any rate, it is not enough to claim that the market is the best indicator of public benefit. The market reflects demand; strictly defined as willingness and ability to pay for a certain good. But, the rationale for government market regulation is to provide compensation in cases of market failure. Whether in the case of a monopoly, (a potential fear in the case of Solidere), which may not be responsive enough to market needs, or in the case where a certain group will be marginalized and excluded from partaking in the public benefit provided by a private corporation, the government is needed. Starting at this point of analysis, we can begin to respond to the rationale Solidere itself uses about public benefit as follows.

6.4 Solidere and the Private Benefit

While many opponents of the project agreed that Solidere did rebuild the city center and had certain benefits attached to it, they claimed that these benefits might have been accrued
by other means with fewer of Solidere’s disadvantages.

**What it Means to be A Private Company**

The primary difference between a private company expropriating land for the public benefit, and the government carrying out the same process, is that the definition of success in each case is different. Even though Solidere’s overall aim was to rebuild the city center, its annual reports allude to another phenomenon that does not exist in the public sector. This phenomenon is the one thing that every private firm desires; profits.

In its brochures, encouraging potential investors, Solidere reports projected an internal rate of return of between 15.0% to 20.7% from 1994 to 2018. This figure was above the break-even point of most public projects. While the end result is a rebuilt center, private profits certainly detract from the “publicness” of the venture.

The most troubling aspect of privatization for critics and landowners seemed to be the “blatant conflict of interest”\(^{21}\) between the public officials and the CDR executives that had vested interests in privatizing the project since they also represented potential private investors.

**On Public Space**

Aside from the financial aspects of private firms and their effects on what we consider to be the “public benefit” there was also the question of geography when it came to the Solidere project. Hashim Sarkis, of Harvard’s GSD, asked, “How do we define public space, now that the state is no longer the agency keen on promoting public life, but a group of private entrepreneurs wanting urban life to promote their business?”\(^{22}\)

Private security guards stand around malls, sometimes prohibiting vagabonds, or shoeless pedestrians from entering the facility. It is not hard to imagine a similar experience in the city center. Surrounded by armed soldiers and policemen, the Central District might well turn into a private haven, accessible only to certain parties or businessmen. Considering the fuss made over the Central District’s psychological impact on the population, and its power and ability to unite the two warring factions as the geographical and emotional

\(^{21}\) Interview with Ovadis Hemilian, July 2003

heart to the city, placing it under the jurisdiction of a potentially exclusionary private force seems somewhat ironic.

In fact, if as argued by public officials, the Central District resembled the very heart and soul of Beirut, then handing it over to a private company would represent the “withering away of the state”\(^2\). Already in bad shape after the Civil War, the Lebanese government, by conceding so much to a private corporation, only succeeded in deteriorating its image as public protector further.

For Ghandour Atallah, the challenge that urban design and planning faced in the aftermath of the Civil War was largely political: “the citizens [had] yet to regain their city and the power to reshape it.” To Atallah, the compromising symptoms were familiar: shrinking public space, encroaching privatization, and boundaries designed for the isolation of privileged enclaves—hardly features of a “public” project.

### Solidere as a Monopoly

Critics argued that employing one REHCO for the entire Central District put somewhat of a monopoly on “public interest.” The government’s involvement in the company was limited to approving the basic structure of the REHCO; approving the expanse of land to be reclaimed; and specifying the area to be expropriated.

The “fate of Lebanon may now be in the hands of a private real estate company” lamented one newspaper editorial\(^24\). The budget of Solidere was about half of the national yearly GNP. If Solidere at one point were to fall under financial difficulty (say due to a cash flow problem) it is unlikely that the government could act to save the enterprise.

### What a Private Company means for the Memories of Beirut’s City Center

Solidere’s Master Plan proposed the demolition of 80% of the town center and to increase its density fourfold. Effectively, many critics of the venture argued, a “fatal blow”\(^25\) had been dealt to the “memory” of this two-thousand year old city, only to be replaced by a “mirage” of a new city, one better suited to “the oil-rich Arab countries,” with a wealth of...
new buildings, perhaps, but a “dearth of architectural traditions”\textsuperscript{26}.

The eviction of the existing population would “eliminate the social fabric,” while the dissolution of the “medieval patterns” of property within the city would “decimate the physical fabric.” The town center would become “a dead city, an empty field open to the speculative ambitions of developers”\textsuperscript{27}.

To pretend to protect this memory, argued preservatory groups, by maintaining a few monuments while “obliterating the context onto which they were inscribed” would only lessen their true worth\textsuperscript{28}.

\textsuperscript{28}AL-Hayat interview with the Director of the Order of Engineers and Architects, July 1992.
Can you have “Public Benefit” with no government involved?

There were several steps the government could have taken to maintain a certain level of authority and secure a more involved role in the project. The most obvious of these measures were more stringent restrictions placed on the private REHCO.

The affected property rights holders argued that the decree produced by the Council of Ministers which outlined the conditions of expropriation in the Central District was not within the realm of “public interest.” Article No. 63 of this decree, in the company’s bylaws, left the responsibility of deciding which buildings and plots were to be expropriated to the decision of Solidere’s Board of Founders. In other words, the company itself (a private entity) was allowed the discretion of defining which areas it would expropriate. In doing so it was also inadvertently defining what the public benefit or interest was in the city center. And by allowing the firm to draw the boundaries of public interest, what the government was actually granting the firm was increased bargaining power over the different opposition groups.

Since the firm could in effect decide which properties to include and exclude from the boundaries, it could play one group off another. For example, the street known as “Bank Street,” was left untouched and was strategically excluded from Solidere’s area of influence.

This meant that the banks’ initial objections and their unification with the other constituents in opposition to Solidere was weakened when the firm was able to, as a bargaining chip, agree to disclude the Bank Street from its project. In return, for this exclusion, the firm received the banks’ timely support as the national elections approached.

This strategy of “dividing and conquering” meant that if the government were to decide to intervene in Solidere’s operations and prevent any aspect of the project, it would face opposition from certain politically influential parties that Solidere had cut deals with.

Handing over so much power to a private firm, could not possibly bode well for the state. It led to such feelings as, “a general discomfort,” about “the way the reconstruction process is being taken care of”29. Makdisi complained that “what few people in Lebanon seem to realize is that Solidere is not going to rebuild the downtown area: it is going to oversee [emphasis added] the rebuilding of the downtown area.” Solidere undertook research and consulting on its own in order to establish a “defacto plan.” The government seemed to

have withdrawn all stakes from the process leaving decision making power in the hands of the Solidere advocates. In fact, apart from the infrastructure, the company would limit itself to, at most, about a third of the construction of actual buildings. Solidere ultimately had four main principal functions; to supervise the execution of the government-authorized reconstruction plan; to finance and rebuild the infrastructure; to rehabilitate certain buildings and structures and the development of the rest of the real estate; and to manage and sell these properties, buildings, and other facilities.

Makdisi in his work on Solidere observed:

What Solidere and Harirism seem to represent is precisely the withering away of the state, whatever one might have called a public sphere or civil society, and their final and decisive colonization by capital. And perhaps it is for this reason that the company avoids any discussion of Lebanese national identity except in terms of visual pastiche.

Confusion of Public-Private Interests

In Les Cahiers de l’Orient, the urban sociologist Nabil Beyhum argued that the Solidere project represented the embodiment of the “confusion” of public and private interests symbolized by the arrival in power of Hariri and his cabinet. Hariri had in effect, through Solidere, created a “colonization of the public by private interests.”

Property owners like Constantine Doumani complained that, the government seemed to be catering to the company’s needs by granting it excessive leniency. Even more upsetting to Solidere opponents was that the government, in its haste to ensure the creation of the firm, gave only very vague outlines as to the purpose and responsibility of the company. For instance the law noted that the REHCO was obliged to dedicate a certain percentage of its total revenue collected from share subscriptions to the rehabilitation of the center. This mandate was also noted in the company’s bylaws. However, neither the law nor the bylaws specified was how big this percentage should be. So one could potentially imagine a situation whereby the company was granted expropriation rights, and acquired the land, and then proceeded to spend absolutely nothing (i.e. zero percent) on the rehabilitation of the center and still be within its legal rights.

30Interview with Mohammed Moghrabi, July 2003
Duality in the City Center

While the Solidere booklets emphasized the former class mixture of the city center and promised to restore the diversity by incorporating mixed-income residential developments into the overall project, Beyhum suggested that what is far more likely to happen is the appearance of a dual city in Beirut, with the boundary lines of the Solidere project marking the limit:

The duality between the city center and the rest of the capital will be reinforced in the minds of ordinary people because images of luxury will continue to bombard the popular imagination in surrounding quarters. The inauguration of the first buildings will increase the signs of uncontrolled wealth that are insulting to the rest of the population. The logic of this real estate promotion will dominate one area of the city, while deterioration will probably become more strongly felt in other areas.

The entire Lebanese reconstruction project, headed by Solidere, had been focused and discussed in the “narrowest possible terms” so that the rest of Beirut and Lebanon seemed to “fade away and become vague externalities to the plan” to rebuild the city center. At a meeting held by the property owners last August, one owner claimed that in “its arrogance,” Solidere felt it could “cover over the rest of the city” with its BCD project. In fact, one of Solidere’s logos is simply the word Beirut in Arabic, as though the “company’s fiefdom” is representative of the rest of the city to the point of excluding it. See Figure 6-4, page 105.

In Beirut, as Beyhum, Sarkis and other point out, there were fears that a new city center would spring up in a few years that would have “little to do with surrounding areas of the city or even the rest of the country.” In fact, there would, according to critics of the Solidere plan, be many more dividing lines - and not just between east and west Beirut, but between the new Central District and the surrounding areas of the city. One such example was the old Martyrs’ Square, which once served to bring the rest of the city together, but was to be effectively supplanted by a wide “boulevard” running a twelve-hundred meters or so from Fouad Chehab Avenue to the port.

Through its exclusionary nature, the entire project threatened to become a “massive white elephant” like the Canary Wharf urban development scheme in the London Docklands. Castells argues that the duality of the city can “be seen as the urban expression of

---

the process of increasing differentiation of labor in two equally dynamic sectors within the growing economy: the information-based formal economy, and the downgraded labor-based informal economy.” So that, as he says, “the dual city opposes, in traditional sociological terms, the cosmopolitanism of the new informational producers to the localism of the segmented sectors of restructured labor”\(^\text{33}\). This means, as Castell suggests, that there is an ever-proliferating distinction between the global “space of flows” and more locally understood senses of place.

The “sense of place” that Beirut once possessed, and Solidere endeavored to preserve with the reconstruction of an “ancient city for the future” was actually threatening to turn the city center into an “island of rich.”

In Beirut, a group of intellectuals made their voices clearly heard arguing that the social and economic mixture that was prevalent in the BCD before the war would be replaced by, “a homogeneous group of high income locals, yuppies, tourists and well-off expatriates”\(^\text{34}\). Very clearly in the Dar al-Handasah scheme, the middle-class and mercantile society of the pre-war BCD would be replaced “and suppressed” by a new “financial class and by the upper service sector of the economy”\(^\text{35}\).

**Losing Architectural Heritage**

As Solidere rebuilt the center the preservation of the architectural heritage of Beirut became doubtful since many of the buildings, according to its plans would have to be destroyed

---


and rebuilt (especially in the Bab Idriss area where a 34,000 underground car garage was planned).

With the old fabric of the Beirut Central District devastated (80% wiped out), it is difficult to understand how identity can be restored. As psychologist Eric Erikson observed, “when the landscape goes, it destroys the past for those who are left: people have no sense of belonging anywhere.” Samir Khalaf also noted that people “lose the sense of control over their lives, their freedom and independence, their mooring to place and locality and, more damaging, a sense of who they are.”

A Weak Government

Constantine Doumani, one of the original property owners, insisted that Solidere’s existence was what began the era of corruption and weakening of the state. The company certainly added to the confusion of the rights and responsibilities between the public and private sector.

The CDR was accused in late 1999 by Mohammed Moghrabi of paying more than LL5 billion in “bribes” on Solidere’s behalf to judges who assessed the value of the city center property. At a news conference at the Alexandre Hotel in Achrafieh, Moghrabi announced, “none of these illegal payments, which squandered public money, were listed in CDR’s budget. This means that they were not legitimate payments.” The bribes were never a subject of investigation by the Hariri administration. After Salim Hoss’ government assumed power in December 1998, the CDR filed a lawsuit against Solidere for failing to reimburse the government for payments to the judges. Seven committees headed by judges had accepted payments, each receiving between U.S. $350,000 between 1993 and 1997 according to Moghrabi (a sum many times over larger than judges’ salaries which is at a mere $500 a month.) The committees, accused property owners, actually went so far as to “prepare forged inspection reports.”

The lawsuit filed by CDR’s lawyer, Antoine Qilmos, who also heads Lebanon’s Bar Association, petitioned Beirut’s lower court, which handles financial lawsuits, for an order forcing Solidere to pay the CDR over LL5 billion plus interest which had been accruing since 1993. However, explained Moghrabi, the illegal payments to judges continued until January

37 Interview with Mohammed Moghrabi, July 2003
1999 when Nabil Jisr, former CDR president left office. Moghrabi continued, “this CDR lawsuit verified the suspicions of many lawyers who doubted the integrity of judges who handled cases against Solidere. In all of them Solidere either won quickly, or the cases were postponed indefinitely.” Moghrabi called upon CDR’s new president Mahmoud Othman to publish a list detailing the payments to judges and other members of the Appraisal Committees. He pointed out that from 1997 to December 1999 remained a two year period which the CDR did not request compensation for in the lawsuit\textsuperscript{38}.

Eventually, as the lawsuits progressed, the Chief of Court, Iskandar Fayyad, who was among the judges that received money, and whose rulings were all in the favor of Solidere, disqualified himself, as the issue was publicized and discussed in the media. Shaking his head as he remembers the events, Moghrabi commented, “it was like a scene in an Al Capone movie.” The Solidere project had, he and others believed, “planted the seed of corruption in the Lebanese judicial system”\textsuperscript{39}.

6.5 Compensation

The first aspect of a legal expropriation of lands was, as mentioned, that the expropriation only be allowed when necessary for furthering the “public interest.” The second part was that the property right holders, or the original owners, be compensated fairly, and at market rates, either in cash or equivalent land for their sacrifice.

For as Article No. 15 in the Lebanese constitution explains, expropriation of land is only acceptable when it is done to fulfill the public interest and the original owners are reimbursed fairly. The public interest should be determined under a legal context that preserves the rights of all parties involved in the venture. “The crime of Solidere”\textsuperscript{40} was that according to the Article No. 63 of its by-laws, the Board of Founders was liable for setting the criteria under which land is judged appropriate for expropriation or not, a power traditionally limited to public institutions.

Solidere, in its domain over the city center, actually expropriated both private and public lands, both of which have separate ramifications and will be examined here.

\textsuperscript{38}Moghrabi was recently jailed for denouncing the judicial system in Lebanon
\textsuperscript{39}Interview with Mohammed Moghrabi, July 2003
\textsuperscript{40}Opposition pamphlet
Private-Private Compensation

The most significant deviation away from what one would consider a "normal" case of eminent domain, apart from the expropriator being from the private, not public sector, was that the compensation, instead of being given in its traditional cash form, was instead distributed as shares in the company.

The distribution of these shares, gave rise to angry feelings. Despite the fact that Solidere claimed shares were issued before land was expropriated this did little to mollify the angry feelings felt by the original property rights holders. Over and over in interviews with the original property right holders, they explained that while the shares were issued by the firm, in order to receive them they were required to sign a waiver form, giving up any claims to their property. More importantly however, the shares were "issued" (i.e. their overall value decided upon) though not distributed well before any of the disputes over the land, whether in the Appraisal Committee or otherwise, were settled.

Solidere's use of shares rather than cash for the property was not unfounded. The rationale for offering shares was three-fold:

1. The company intended to offer a form of compensation that would vary with the market, so that as land prices improved the compensation that landowners received would also improve. Even if property was undervalued initially, the company argued, repayment by shares meant that the compensation offered would eventually match the "true value" of the property.

2. Solidere had little cash available, and compensation through shares was a logistical necessity.

3. Offering shares was an easy way to dissolve the complex relationship between owners and renters that continues to cloud the development potential of plots all over the city.

Since one of the common controversies surrounding expropriation is what price the property right holders should receive for the land, the current market value price, or the price of land after the improvements (say a road) have been added, the idea of shares may, at a first glance, seem like a good one. By giving over variable shares to the landowners, the problem of pricing is taken care of. The Solidere lawyers pointed out, when arguing
the case before the judicial tribunals that not only would this variability constitute a fair method of pricing, they also had precedent.

To begin, Solidere argued that nowhere in the Lebanese constitution does it say that the compensation for expropriating lands had to be in cash. The REHCO felt perfectly justified in offering compensation in the form of company stock as a liquid comparison. The opposition was quick to point out that two main differences between cash and stocks did, however, remain. Shares are not fixed values, they are variable, and to a large extent, their worth depends on factors specific to the firm itself.

The precedent for this form of compensation was a case taken from France where the French government offered bonds with floating rates instead of cash compensation. Le Conseil d’État approved this decision in the case of the nationalization of certain firms but indicated the necessity of a fixed form of compensation in most cases. The analogy that Solidere’s lawyers drew between the two cases was not well received by the opposition lawyers. In the French example, government bonds were offered as collateral against shares issued by nationalized firms. There was no such collateral offered by the Lebanese government on behalf of Solidere, and even when share prices fell, no alternative compensation for the property owners existed.

Secondly, the opposition teams argued, France was stable and government bonds were very unlikely to default; post-war Lebanon was incomparable.

Also taken as an example by Solidere was the Lebanese government’s “consolidation and dividing” form of rehabilitation, where it was not abnormal to give a property owner another piece of property, or another building in exchange for the one expropriated. The use of this example as an adequate response to the landowners decry of the “non-cash” method of compensation was described by Mohammed Moghrabi as “laughable.”

For one, the compensation by land, or alternative building was fixed, whereas compensation by shares was variable. Secondly, and more importantly, cash or land payments were autonomous, meaning that after the compensation there was no further involvement required from the property owner. In the case of shares, in order to maximize the potential compensation and protect their investment, stockholders would have to attend meetings and vote on company policy.

---

41 Interview with Mohammed Moghrabi, July 2003

42 This is an acceptable practice in Lebanese courts since the law and constitution is derived from the French code.
Variability in Compensation

As previously described, Solidere consisted of two types of shares identical in voting and transfer rights, differing only in their relative weighage. The property owners were given Type A shares, which were mandated by law to form at least 50% of the company. Type B shares were given to the cash investors.

Perhaps the easiest way to analyze the compensation provided is to follow the process of what happened when a property owner received a notice of expropriation. Mr. and Mrs. Omar Daouk were large property owners in the city center district. While vacationing in the South-of-France one summer, the couple received a call from their lawyer; your properties in the “madinah” are being destroyed! Upon returning to Beirut the couple soon realized that many of their buildings had already been condemned and demolished. Only a week later the couple was in hospital; Omar Daouk had suffered a heart attack. The Daouks were told that they would be compensated for the price of their land, after the Appraisal Committee had passed judgment on the amount, and that the compensation would be in the form of shares in the firm, rather than cash.

The REHCO provided two Appraisal Committees. One to do the initial valuations, and the second to hear complaints and objections about the first. Property owners were not granted the opportunity to object to the expropriation through normal judiciary channels.

The methods of appraisal used by the Committees were not divulged to the public. Not only were these committees handpicked by Solidere (both the initial and appeal committees) but also, it was in the company’s self interest to undervalue the land. The firm only had to raise the cash equivalent of the appraised land value. So, considering that the subscription period could only last for six months, and there were doubts that the firm would find a sufficient number of investors. Having a lower appraisal value was in the firm’s own benefit.

The Appraisal Committees were criticized for being granted what some considered sacred judicial rights. This absolute power, was something the firm’s critics were sure it would exploit. It was rumored in newspapers, and declared fact in property holder meetings, that the Committees manufactured minutes of meetings, purported surveys and claimed inspections of the sites that never took place. Mrs. Daouk pointed out that not only did many property owners feel that this was a violation of their constitutional rights, but also it seemed a denial of due process, since the decisions of Solidere Appraisal Committees could
not be appealed.

The sum provided by the Appraisal Committees was of course nowhere near the value the Daouks had in mind (and in fact totaled only 5% of actual market-value that their independent appraisal had arrived at)\textsuperscript{43}. In addition to this, the couple would only be compensated in the form of shares. They would only receive the shares after signing a waiver that they agreed to the company’s existence and purpose, and would not seek further compensation for the expropriated lands. To many poorer landowners, explained Rayaa Daouk, this policy was “rather coercive.” Many of these property holders needed the funding that the company provided, after their source of income, possibly in the form of rent\textsuperscript{44}, had been cut-off. Poorer property right holders could not afford to enter into the long legal battle presented, and anyway, said Mrs. Daouk, “they would not be heard in the regular court’s anyway. Solidere’s Higher Appraisal Committees had a monopoly over any appeals”\textsuperscript{45}.

The Daouks however, were “familiar with the games common to Lebanese politics.” They worked hard towards opposing what they and others viewed as an undemocratic and unfair process. Omar Daouk weakened by the stress, suffered successive heart attacks, and unfortunately passed away less than a year into the battle. His very capable wife Rayaa Daouk took over. To this day she has refused to receive compensation for the land in the form of shares. “There’s no point,” she argues, “not only am I opposed to receiving shares in compensation on principle, but also, today there would be absolutely no point.”

The risk and delay associated with shares, meant that Type A shareholders were unsure of when they would receive a reasonable payoff for their property and what magnitude it would be. To this end, argued the property owners, the compensation was unfair because so much of a firm’s success depended on conditions outside of the shareholders’ sphere of influence, like the macroeconomic situation and the business cycle.

Certainly, from the issuance price of $10\textsuperscript{46}, the shares continued to drop in value. In

\textsuperscript{43}Interview with Rayaa Daouk, July 2003
\textsuperscript{44}Renters had been paying rent consistently throughout the war as not to give up their renter rights; and so the rent protection guaranteed to them by law
\textsuperscript{45}Interview with Rayaa Daouk, July 2003
\textsuperscript{46}Though the initial stock issuance price was $100, it is to be interpreted as $10 for practical purposes, as in 1996 Solidere split share value from $100 to $10. The General Assembly of Solidere, which convened on June 29, in both ordinary and extraordinary sessions, decided, upon a suggestion by the company’s Board of Directors, to amend the article which deals with the par value of the shares to split the value. It also decided to amend the article that refers to the legal quorum requirements on a third call for a meeting so that the quorum is automatically established by those present, given that quorum had still not been achieved by the
December 1994 in the heat of investment optimism after the start of the firm, shares had appreciated in value by about 50%, they have since decreased in value significantly. See Figure 6-5. By 2003, the shares had reached a low of about U.S. $4.16 for Type A shares, and U.S. $4.93 for Type B shares from an initial value of $10.

Figure 6-5: Solidere's Stock Prices

At this low point when shares were being offered and met with no interest, fifty-six landlords and tenants in the old city attempted to sue Solidere and Hariri before the Commercial Tribunal of Beirut. These property holders sought a judgment declaring Solidere legally non-existent due to irreparable violations in the process of its incorporation. As part of their complaint, the group criticized the reimbursement procedures. They argued that by compensating shareholders with stock, the government (through Solidere) was forcing the landowners into a business arrangement, a circumstance that both secular and Islamic law condemn. The action also sought a declaration that the transfer of rights from the tenants and landlords be declared null and void. The action received no response and remained unresolved.

third meeting when deciding on the issue of splitting the shares.
Not Simply Financial Compensation

The compensation provided by Solidere was also not strictly financial. Part of the compensation was monetary in the form of stock, however being a shareholder in Solidere meant participation in the running of the company. Shareholders had voting privileges and could decide on how the firm was run. In other words, the property owners still held partial ownership of their original property, but were obliged to participate in the firm’s shareholder meetings to realize this control. This control was also diluted since any one shareholder did not have exclusive voting power. Moreover, under Commercial Law, even shareholders do not have access to the firm’s most private information, and that is due to security reasons. This meant that the BCD property owner would be dragged into a risky business venture he might have been apprehensive towards.

Moreover, there was considerable risk associated with the Soldiere stock. The Lebanese stock-exchange had still not reopened after the war, and shares were being traded through a company run exchange. This might undermine the commercial value of these shares.

Non-Property Holders Get Compensated Too

The property right holders argued that since there were cash investors in the firm that also received shares, it was not the case that the entire benefit of the increase in value (after the rehabilitation of infrastructure in the center) went towards the original property owners. In fact, in almost a 1:1 ratio, the Type B cash shareholders were compensated just as much as the Type A property shareholders. Since the added value of the reconstruction would be split amongst all shareholders, an increase in the price of the stock actually meant that there would be a shift in wealth away from the original property owners.

Public-Private Compensation

Within the guidelines of the Solidere project, there was also a transfer of public land to the private firm. The government gave up its right to 25% of the land, buildings and taxes for the next ten years. In exchange, Solidere took over responsibility for the rehabilitation of the infrastructure at the expense of the government to be paid for by the treasury, or to be exchanged for reclaimed lands in the Central District.

The only stipulation on the expropriated lands was that the absolute area of public
land such as streets, roads, and buildings be maintained. What is interesting is that each of the Lebanese laws, including Article No. 15 of the constitution, that deals with these matters, stipulates that the monetary value of the public lands be identical when such an agreement is made, not that the physical size be preserved. The percentage commitment required of Solidere did not mention the characteristics of the new public lands. President François Mitterand noted, “the government has not the right to sell a fraction of the national patrimony for less than what it is worth,” but under this arrangement, Solidere could potentially return much lower valued land to the government.

Solidere was exempted from tax payments for a period of ten years. All profits made by shareholders from capital or dividend gain were also tax-free for that period. Critics of these exemptions have wondered why, when the Lebanese government was in such desperate need of revenues and support, it would allow for the establishment of a firm that would not pay taxes, causing an overall loss of revenue of, as estimated by George Corm at U.S. $0.5-1 billion per year. Reading the story through an economic context, this is of course not shocking. It is important to remember that since the company was a private initiative, and the venture at the very least needed to provide an economic profit that outweighed its opportunity cost in order to be attentive to investors.

Clause 3, Item 7 of the “Rights and Obligations” section of the law stated that Solidere was obligated to finance and construct the roads and public squares and parks as approved by the Master Plan for the benefit and at the expense of the government, based on a contract between the company and the CDR. Paragraph 4 stated that “the Real Estate Company is obliged to finance and construct, for the benefit and at the expense of the government, all infrastructure including water, sewer and electrical installations, sidewalks, street lighting, parking, telecommunication and other public utilities in the planned areas.” So far, it looked like Solidere was simply acting as an “infrastructure contractor” to the government, a legally binding role in terms of reimbursement, which as specified in Paragraph 5 of the law, were either cash payments or ownership of reclaimed land. This “turnkey” operation made some parties “uneasy” as there was no maximum price that both parties agreed on. The government was given a passive role and obliged to reimburse the full cost of the works as described by Solidere, unable to influence whatever price the company specified.

Why Didn’t The Property Owners Succeed in Their Arguments?

It seemed that the property owners, based on the legality of their arguments, and their lawyers’ advice, stood a decent chance against the company in court. However, they won very few victories. Why was this the case?

The expropriated owners and tenants in the city center had indeed formed the most motivated group of critics and protagonists. Their number totaled about 120,000, and although not all of the expropriated owners opposed the Solidere project, many did band together in a larger organization called the “Beirut Commercial District Property Right-Owners Association.” Apart from the categoric rejection of the reconstruction project, the main goal of this organization was the retraction of the expropriations or at least securing an improvement to the inadequate compensation.

But the attempts of these expropriated groups to fight the project in the courts failed. Their success in influencing public opinion was also rather limited as the committees found it hard to work, with their limited budgets, against the financially well-off real estate company and its much larger and better staffed public relations department.

Meetings, demonstrations, leaflet campaigns, discussions with political and religious leaders as well as press conferences were organized. However, the committees of the expropriated people could only mobilize a small fraction of the total number of owners and tenants on the city center so that their public actions failed to take the masses to the streets. In the end, the committees of the expropriated right holders were defeated by the superior strategies of Solidere. Despite all their activities and the ongoing bi-weekly meetings to discuss options and campaigns, the firm remained politically distinguished. In addition to media campaigning, and the “divide and conquer” strategy, Solidere’s “embedding strategy” was especially effective.

Some of the tenants were successfully “bought out” from the committees, with the result that some committees dissolved completely. Some spokesmen of the committees were threatened, for example, with an investigation for suspected tax evasion. Single committee members no longer spoke out publicly against the reconstruction project. In addition, Solidere staged the foundation of a counter-committee of former owners and tenants, which had close links to Solidere. Maher Daouk, the cousin of Omar Daouk - the president of the
opposition committee of expropriated people - was the heavily symbolic chairman of this counter-committee and later a member of Solidere's Board of Directors.

Many of the court proceedings initiated by the opposition committees were either immediately refused or delayed for years. Hariri was also accused of bribery and of using a strong influence on the special courts which were set up for Solidere matters. The validity of the reproaches became apparent when, after the change of government in 1998, some of the frozen proceedings were suddenly reopened.

Until 1998, Hariri was able to take, directly or indirectly, all the important decisions regarding the reconstruction of Beirut's city center. With the implementation of the Master Plan, the process of reconstruction through the REHCO became almost irreversible. Moreover, in the struggle between the images of future-Beirut put forth by each side, the vision of a “Hong Kong of the Mediterranean” still had the upper hand.

While Hariri was successful in employing certain strategies in the BCD project, when used in the context of religious land in the city center, though successful in the city center, the tactics left behind extremely embittered constituents, that would come back to haunt him in future projects.
Chapter 7

Islamic Property Rights

The Civil War in Beirut was primarily a religious one. The city was split along the Green Line. East-Beirut was the stronghold for Christians, and West-Beirut for Muslims. The post-war government was setup with the reduction of the religious tensions in mind. Until 1990 the seats in Parliament were divided on a six-to-five ratio of Christians to Muslims. In the new government the ratio was changed to one-to-one. The end-of-war pact also allocated public offices along religious lines, with the top three positions in the ruling troika distributed as follows:

- the President is a Maronite Christian;
- the Prime Minister is a Sunni Muslim, and
- the President of the National Assembly is a Shi’a Muslim

Religious tensions were still high after the war. Each group fought to ensure that their rights were preserved and their needs attended to when it came to the rebuilding process. As the keystone project for the post-war government, all eyes turned to the Beirut Central District. As the first main reconstruction initiative, it would set the precedent for the redevelopment process and government involvement with private property owners.

Islamic law is distinct from secular law when it comes to dealing with property rights issues. The Solidere project not only had to contend with the property rights dissatisfactions of private secular owners, it also faced opposition from those wishing to uphold religious law which protected property in the center. More specifically, many of the opposition leaders claimed that the Solidere project was a serious violation of the Islamic Waqf. The absence
of what the Islamic community felt was their rightful due process left lasting effects. The trust they had for their government was compromised\(^1\). Many Sunni Muslims, said one of the life-long Beirut residents I interviewed in the city center, felt, “betrayed by Hariri,” he was supposed to be, “our guy,” but, “didn’t stand up for us”\(^2\).

### 7.1 The Concept of Waqf

The use of REHCOs in large urban projects always requires some form of preparation at the legislative level. While this may not necessarily (though it was in the case of Beirut) be in the form of new laws or decrees, whatever changes made do influence the way land tenure and development are managed. Property laws in the Middle East are derived from Ottoman legislation. There are distinctions between mulk or private property, miri or public property, musha or unclaimed land, and waqf or religious property, which the ratification of a real estate company would affect.

There are two kinds of waqf; public and private. The difference is mainly a managerial one. The public waqfs are managed by a public institution, whereas private waqfs are mainly governed by a committee representing the beneficiary.

Waqf is not the ownership of land, but rather a trust. If the land is being used towards the public interest, and it is classified as waqf, then its function and value are preserved. This public interest is not limited to public institutions. Land that is self-declared as waqf by private entities, even if profit-generating, is still acceptable and protected under this ideal. In other words, a waqf is a special type of property defined in Islamic Jurisprudence as, “maintaining the original property and liquidating the revenues.” When a property is endowed, it is no longer controlled by its owner and he is prevented from disposing of it for purposes other than those it was originally endowed for.

Waqf land is difficult to convert into shares as it cannot be sold and can only be transferred if the shari'a (or Islamic law) approves. When invoked, the Waqf trust prohibits the transfer of ownership and the use of the land without the owner’s expressed permission if the land is private, or the Mosque’s consent if the land is public. By allowing a private company to appropriate land from the center without first reaching a compromise with the

---

\(^1\)Interview with Abdel-Rahman Solh, July 2003
\(^2\)Interview June 30th, Beirut
waqf, the Lebanese government was recklessly violating a sacred law³.

In response to this, Hizbullah⁴, the Lebanese Shiite resistance movement, issued a *fatwa* following complaints by the Central District landowners who were being forced to sell properties to Solidere, denouncing the project.

### 7.2 *Waqf* and the City Center

Law holds a sacred spot in Islamic philosophy, “law is not conceived as separate from other social institutions in the Middle East, but as intertwined with the affairs of everyday life”⁵. Due to the relevance of Islamic law within the city center, the idea of *Waqf* rose in importance as Solidere announced its plans. The center was well endowed it was with religious land preserved by the Mosque, as well as private lands protected by *waqf*. In the Central District Master Plan, *waqfs* were not incorporated into the stock but were assigned a transitory status. See Figure 7-1.

![Figure 7-1: Religious Institutes Beirut Central District](image)

Much like it dealt with the opposition of the financiers on “Bank Street,” Solidere generally gained the favor of the public religious institutes such as Mosques by preserving their right to *waqf* or, with their consent, relocating them to an acceptable position.

The private *waqfs* however, suffered as they were neither acknowledged nor upheld by the firm. And, it was this disregard for the sacredness of the religious trust, that spurned the heated debate and controversy that was to plague Hariri as he tried to implement new

---

³Hizbullah newspaper interview in *Al-Nahhar*, August 1992
⁴Hizbullah translated into English literally means "Party of God"
reconstruction projects around Beirut.

As explained above, a private waqf is as serious and legitimate as a public waqf. By trading off preservation of the public waqfs with the religious institutes, i.e. Mosques in the city center, Solidere was able to detract attention away from its undermining of private Islamic rights. The large religious institutes (in the form of Mosques), relieved to have won the battle to preserve their land at all, backed Solidere in exchange for their exemptions.

This violation of Islamic property rights was silently protested but nonetheless accepted by the 750,000 Muslims in the capital⁶. However, the anger with the violation was remembered and became much more vocal, especially by the more outspoken Islamic groups, as would become very apparent in the implementation of the Elyssar project in Southern Beirut.

7.3 The Elyssar Project

Robert Saliba, a Lebanese planner and historian, observed, in a lecture he gave on Middle Eastern planning in Amman, that generally it has been very difficult to successfully implement planning models in Beirut. To Saliba, there has been a profound reluctance among Beirutis to accept planning models in the different periods of the city's modern history. This has resulted in a situation of “planning chaos” in Lebanon⁷.

This phenomenon becomes even more apparent when we take into account the lack of respect given to religious law in the implementation of Solidere, and the limited extent to which democratic participation was included in the project. This BCD situation increased mistrust of the government and anxiety amongst stakeholders. People stopped believing in the credibility of the democratic process, and started moving towards a more violent and resistant approach in the form of “guns rather than dialogue,” as becomes apparent in the Elyssar Project⁸.

The Elyssar Project was an initiative in Southern Beirut, where an area was specified to be redeveloped through a private REHCO in a similar fashion to the city center. “Southern Suburb” is a direct translation of Dahiya Janubiyya which, since the early 1980s, has been

---

⁶The total population of the capital is 1.5 million, Solh interview. 
the Arabic designation for the area.

Saliba described the Solidere project in Beirut’s Central District as an example of, “Corporate Planning,” where one real estate company was fully responsible for rehabilitation and redevelopment works. Looking at the Elyssar project, however, Saliba labels it as an example of “radical planning,” though it was originally destined to the same fate as the city center, with a private company (headed by Hariri) ready to come in and rebuild the area. So what happened and how does it compare to the Solidere example?

Essentially it seems as if the lesson taught by the disregard of waqf in the city center, especially for Sunni Muslims, were that conventional methods of appealing against injustice through the judicial or legislative system was not an effective way of preserving “democratic rights” in Lebanon. Rather “non-democratic” means, or more violent methods outside of the system were the more effective tool as revealed by Elyssar.

The Elyssar Project was a plan designed by Hariri for the southern outskirts of the capital in what was known as the “city’s most degraded urban fabric.” The area has been settled by squatters since 1958 and inflated with refugees during the sixteen year Civil War. It was largely due to Rafiq Hariri’s public image as “someone obsessively and exclusively interested in the rehabilitation of downtown Beirut” that the Elyssar Project was launched in 1992. The legal framework for the Elyssar project sprung from the same legislation established in 1991 for the BCD. The project was conceived as an infrastructure rehabilitation work and by 1994 had evolved into a real estate company legitimised by the same law which established Solidere.

The southern suburb was also known as being “Hizbullah’s suburb” where “poor Shi’ites” lived. Beirut’s Southern suburb was a “space that several players want[ed] to control, each working more or less autonomously from the public sphere,” each also having their own strategy, and ideology (whether religious or social), as well as constituency. Working in the fields of education, culture, social services and sanitation, the area was dominated by the

---


12 Incidentally, the name “Elyssar” is borrowed from the story of the Phoenician Queen Elyssar who escaped Tyre to found the city of Carthage. However, during a discussion of the project amongst Shi’ite leaders Nabih Berri (Amal’s leader, and also Parliamentary speaker of the House) said, “Elysar is from Tyre not from Sidon,” alluding to the fact that he is from Tyre while Rafiq Hariri is originally from Sidon.
two main Islamic parties. The first was Hizbullah, and the second is Amal, another political and paramilitary organization.

Because of this territorial setup, attempts to handle its renovation though a foreign and imposed entity were met with “diehard opposition” by the residents of the area, who objected to the method of development through privatization and land expropriation. Amal and Hizbullah immediately challenged and contested its formation as a private company.

After the project was suggested in official circles as one that would help, “the valuable property adjacent to the southern seashore of Beirut...realize its full development potential,” there was an immediate outcry from the community that characterized the project as being a form of “coastal cleansing” involving the “forcible demolition of illegal settlements to make room for different users and social groups”\textsuperscript{13}.

Having witnessed the situation in the Beirut Central District, where landowners’ rights were bypassed as the larger project trudged on, the parties in the southern suburb were skeptical. Fadallah, the “spiritual mentor for Lebanon’s Shi’ites” had issued a decree following complaints from Beirut landowners that they were being forced to sell properties to Solidere. Even if the landowners refused to participate, they claimed, they lost their land and got nothing. Hizbullah had also issued a fatwa denouncing the project. This fatwa discussed the waqf issue as well as reiterating that, under Islamic law, commercial dealings must satisfy both the buyer and the seller.

The Central District project had taught the Islamic parties however, that negotiation and reliance on straight dialogue was ineffective. The Mosques had “sold out” their constituents in the negotiations in return for the preservation of their own land.

In the face of “impending expropriation” it became the main interest of Christian and Muslim foundations to maintain a “symbolic representation of their religion in the city center of Beirut, in addition to the Mosques and Church buildings”\textsuperscript{14}. From an economic perspective the religious foundations were interested in maintaining the highest rental incomes possible of their properties, which in the past had gone towards supporting charitable institutions. As a result of inflation during the war however, it became in these groups’ best interest to terminate the lease agreements. Because of their potential power (having strong

\textsuperscript{13}Mona Harb Transforming the Site of Dereliction into the Urban Culture of Modernity: Beirut’s southern Suburb and Elyssar Project in Hashim Sarkis and Peter Rowe. \textit{Projecting Beirut: Episodes in the Construction and Reconstruction of a Modern City}. Prestel, New York, 1998.

socio-economic support from their constituencies) these religious groups could not be easily ignored during reconstruction. Some of the land owned by these foundations was considered, at least for the Muslims, to be inalienable, protected by *waqf*. During reconstruction of the BCD, the scattered and fragmented estates of the *awqaf* presented a huge obstacle. Instead of expropriating the Islamic *Awqaf*, a “reallocating of land”\(^\text{15}\) was carried out, whereby the smaller plots owned by the Mosque were combined. By agreeing to congregate lands (and so secure higher rents) for these religious institutions, Solidere effectively bought off their support.

The Mosques did not corroborate Hizbullah’s *fatwa*, and they remained silent when private lands were expropriated. When it came to these private rights, the government had completely bypassed the religious indications, and replaced them with secular property law sensibilities. Religious courts and proceedings were completely circumvented in the expropriation process, and constituents witnessed the Mosque siding with the firm and refusing to uphold their Islamic property rights.

Hariri had worked hard to undermine active support for private *waqf* among respective religious foundations. Better compensation was offered to religious foundations than regular landowners. Religious foundations were also offered larger plots of land in compensation rather than shares. Positions on the company’s Board of Directors were also offered to influential religious leaders. Building contracts were offered to Greek-orthodox or Maronite families who had strong influences on religious decision-makers in their denomination.

While the Mosques were the ultimate religious authority in the center to be dealt with, all the Lebanese Islamic groups were witness to this process and issued *fatwas* denouncing it. The more militant groups, though with limited power in the Central District, had a lot more backing in the Southern Suburb. During the Civil War, many Shi’ite refugees from Southern Lebanon and the eastern parts of Beirut had found accommodation mainly in the western “Muslim” part. After the ceasefire, more buildings near the demarcation line were taken over by this group. Supported by the Shi’ite parties, Hizbullah and Amal, this group was relatively powerful. (Hizbullah at that time was widely popular among both Christians and Muslims for fighting the Israeli occupation in Southern Lebanon).

The problem of refugees was another bargaining chip for Solidere, that gave it a little

bit of leverage with Hizbullah and Amal as well as the Mosques. If offered compensation, and alternative accommodations for the refugee families, the parties might be persuaded to forgive the waqf violation. Solidere’s plan forged ahead with the idea that religious land would be expropriated in the center of Beirut. The refugees were compensated significantly, so much so that Solidere spent almost half of its cash capital to resolve the problem. While the official rate for the compensation of refugee families was fixed between U.S. $8,000 and U.S. $12,000, in the city center it rose as high as U.S. $100,000, as Solidere attempted to buy off the religious opposition.

When the same project of a REHCO was suggested for the southern suburb, the picture was different. There was no pressing issue, as the refugees in the center that could be used as a trade-off. The Southern Suburb residents were witness to Hariri’s strategies in the center, and their result. The residents’ response to prevent a similar expropriation of land was a lot more violent. This idea of “guns not democracy” proved to be effective. Law No. 246 of 1993 which created the framework for planning the Southern Suburb was soon rethought.

The ensuing power struggle resulted in some significant modification whereby the company was transformed into a public establishment with the state, in effect, becoming the major actor in the reorganization of the project. It was decided that rehabilitation would be carried out by the owners and residents without the involvement of a third party. The project would consider legalizing and granting property rights to the many illegal residents in the area. Amal and Hizbullah gained their own representatives on Elyssar’s board. Work in Elyssar has been going for about three years now, though progressing only slowly due to factional and intercommunal struggles.

While the Elyssar project did work out to the benefit of the population involved, it caused religious tensions and violence that would have been better avoided in Lebanon. Hariri has lost the trust and backing of these religious groups in government projects, which may have cost him a lot more than just exempting the waqf land from expropriation initially in the center.

The idea that religious law outside of the traditional secular legal functions could be ignored was also a dangerous precedent to set in post-war Lebanon, where tensions between different religious groups still ran high. The notion of secular law taking precedence over other systems of property rights, whether Islamic law, or tribal law, without adequate
dialogue between the government and the stakeholders involved, was a dangerous precedent to set for the REHCO development model. The Solidere model of development, while foreign to Lebanese values, does not however, exclude the possibility of entertaining open and democratic discussions between different public and private groups. In the next chapter we will abstract from Solidere to look at a larger development model, and by doing so we can analyze the aspects of such firms that either engage or hinder democratic processes, especially when it comes to balancing the beliefs of each.
Chapter 8

The Solidere Model of Development

8.1 Solidere as a REHCO in Beirut

In the case of Beirut, there were three main problem areas to be solved in order to ensure the reconstruction of the city center. The first related to town planning and architectural problems. The question was how to redevelop the city center, given the small plot sizes, and the sporadic distribution of the remaining structures. Coming up with a vision for the Central District with little to no government administrative capacity to deal with the problem was difficult.

The second major area of concern was with financial problems. The location and sources of financing were limited. The high cost of construction and rehabilitation, both of buildings and of infrastructure placed an unreasonable burden on the government. The landowners had no sufficient funds to rebuild their properties, and with the rental laws that existed, there was no private incentive to redevelop. The state also had so many other high priority projects that it could not allocate the required funds to rebuild the BCD.

The third problem area involved the legal issues that arose during the period of parliamentary debates surrounding redevelopment. The general structure of the reconstruction project had to be determined and ratified. The ownership of the land was inhibiting redevelopment, and so the appropriation-debate emerged, and out of this discussion evolved the real estate company Solidere, that would appropriate the land and fund the project
completely.

Solidere’s functions can be boiled down into three main activities; financing and ensuring the execution, operation and management of the infrastructure; real estate development; and property management.

8.2 Abstracting to a Model

Oussama Kabbani urges us to think of Lebanon’s post-war reconstruction as a “process” of rehabilitating the country and repairing divisions rather than simply rehabilitating infrastructure and buildings. Kabbani hoped that the process, would “promote and enhance the constitutionally guarded principles of democracy and free-market economy as the political and economic basis of reconstruction.”

In Beirut however, the populations affected by the government decision to employ a private Real Estate Holding Company felt increasingly disenfranchised. Property owners felt betrayed by their government and courts that “stood silently by as [they] were robbed blind”\(^2\). Groups like Hizbullah began to believe that the only way to communicate with the government to protect themselves was through violence rather than democratic dialogue.

The Lebanese government’s insistence that Solidere was a last resort solution, and the only way that the city center would be rebuilt, was doubted by many. Rayaa Daouk, one of the original property holders explained that the “subversive actions” of the company were interpreted as proof that its existence was questionable.

Internationally however, the model was applauded. The international image of Beirut slowly transformed from a run-down and devastated city, to a modern capital-welcoming business, with shiny new infrastructure and gleaming office buildings.

The concept of the private REHCO model was “exported” and used in countless other instances. In Jordan and Riyadh the initiatives were headed by Millennium (Rafiq Hariri’s original company in Saudi Arabia). Because of its widespread use, this model of development deserves to be explored a little so that we have a framework against which to evaluate the Beirut project.

The approach towards reconstruction has tended to endorse privatization as its “eco-

---


\(^2\)Interview with Rayaa Daouk, July 2003
nomic engine” and governmental centrality and urban modernization as its “main catalysts.” The history of a privatized approach to development has never been as extreme as in Lebanon, although the extent of privatization should not be taken to imply that all REHCO development projects have such limited government intervention.

In the case of Beirut, it was hoped that Solidere would provide an alternative way to finance and manage the city center reconstruction effort. The project involved negotiations with the original capital owners and ultimately the company needed to pass a test of public confidence in order to survive. A weak government made Solidere’s ratification process easier, and Solidere worked hard on a large advertising campaign that seems to have inspired a good deal of public support. The public sector was so disengaged from the reconstruction process that even the transfer of infrastructure back under government jurisdiction was held up as the CDR claimed it was unprepared to deal with the management of these systems. Solidere to this day retains management of all of the infrastructure.

It seems in the case of Lebanon that the REHCO was needed because the government lacked the funding to undertake the project, the property was extremely fragmented, and the area needed to be reshuffled in order to attract investors. (The idea of consolidation to provide an initial jump start is not unusual. In Japan, for instance, it is common to have a group of owners organize their assets and redevelop a project as one chunk.) The matter of how to deal with getting a necessary framework in place to protect the rights of those involved in the face of a leviathan private firm is an important one to consider. How do you ensure that the company will not simply be seeking to maximize its profits for instance? Abstracting from Solidere’s history to a development model becomes significant when thinking of how a similar project structure is being used all over the Middle East.

8.3 The Real Estate Holding Company

Real Estate Holding Companies can be thought of as companies which acquire lands either through direct purchase from owners or through entering in a partnership with them to

---

4Comparable predecessors include the London Docklands and La Defence in Paris, however, both those projects had significantly larger government involvement, both financial and advisory and were bound by much stricter laws and held to firmly set measures of success. In both those cases also, the methods of appropriation were conducted by the government, and the methods of compensation were less questionable.
5Based on an article by Ralph Gakenheimer, Omar Razzaz, Hashim Sarkis, Maha Yahya, 1992, Rebuilding the Residential Sector of Beirut
develop a certain area. By this process large areas of land are owned by a single party after historically having been distributed among large numbers of owners. REHCOs are generally used for large-scale land assembly and redevelopment of large urban localities. These companies involve various forms of collaboration between the private and public sectors in terms of funding and management. The public-private partnerships can vary from an even mix to a fully private initiative, as is the case with Solidere. Some of the urban renewal ventures in the United States during the fifties and some of the post-war reconstruction organizations in Europe resemble these companies. In the case of some urban renewal efforts, the justification has been based on the assumption that private capital would not find the investment attractive unless the development size and scope was increased and certain extra benefits were included in the package.

The conditions in which REHCOs are used vary. The reasons for their formation are numerous and depend on the economic, political and even social status of their host. Most commonly, the public sector thinks to employ a REHCO when there is a large-scale project to be completed. In many, but not all, situations, the government is unable to complete this reconstruction itself due to a lack of financial, political, or administrative capabilities to carry out its rehabilitation goals. The project may be beyond the government’s ability to complete. In other cases, land-use patterns may be wholly unsatisfactory and parcel sizes below an accepted minimum required for redevelopment. In these cases companies may be formed by owners themselves with the intent of overcoming some development obstacles and with the desire to construct large-scale projects which would not otherwise have been built due to limited land sizes within the traditional development fabric.

The REHCO requires initial government support to provide it with the legislative framework. This seems only natural since the scale of these developments alone, involving huge investments and large land areas, may necessitate changes in regulations of property transfer and rights. Government involvement is also necessary because at times the REHCO can be so big that it impacts larger economic development in the economy. In the case of Beirut’s Central District, the physical design and the procedure of implementation, set a precedent in terms of its scale, architecture, public-private sector collaboration, and legal structure. The impact of the project on the process of reconstruction was bound to be strong given the number of jobs produced, and the increased activity in the city that it would create.

The ratification calls for substantial effort on the government’s part, and so REHCOs
tend only to be formed when there is serious government support for the project. It also seems to be the case that the REHCO must constantly have the highest level of governmental support in order to ensure its smooth operation at all times. When Solidere began losing out on this support in 1998, with the advent of the Hoss administration, its operations slowed down and became difficult to handle.

**REHCO Advantages and Disadvantages**

Establishing Real Estate Holding Companies has special advantages to those responsible for development and who hope to facilitate and expedite the development process through these firms.

The easy assembly of lands is one of the main advantages. The company provides a very simple mechanism for assembling small parcels which tends to be one of the more serious obstacles major developers face. Since the development project is so big, and the properties are owned by a single body, economies of scale alone help encourage development potential.

There is also reason to believe that the large REHCO will provide support for the national economy by working outside of the direct development framework and providing services and utilities to the areas which they develop. Within the scenario of initiating a REHCO, is also the occasion to provide an investment opportunity for former landowners of the renewed area and for local capital in general.

There are also, some supporters claim, advantages to the owners themselves. Smaller owners in redevelopment zones may find it difficult, either due to limited area or limited access, to exploit their properties full potential. REHCOs may provide these owners with a better chance of investing their financial resources.

However, there are also drawbacks to using REHCOs.

The MIT Report on *Rebuilding the Residential Sector of Beirut* REHCO warns:

There are a group of passive factors to which we should be attentive when establishing land development companies. The most important precaution is to make sure that the formation of such companies does not change, from being a tool to achieve the development, to be an objective by itself. As such companies will, then, be considered as one of the major economic powers for the liquidity they have. Ideas will then be created to utilize such funds to bring profit to the company by all means possible which eventually will lead to negligence of the main purposes for which the company has been established.
The formation of Real Estate Holding Companies often aims at realizing developmental objectives that are difficult to attain by ordinary means. They should never be the objective themselves (as may be argued was the case in Beirut, where from 1973 active steps were taken to eliminate all other possible options and establish Solidere as the only viable means of development), rather they should be thought of as the tool for development. If ever authorities start thinking about such a company as the objective then that is a clear abuse of the role of such a firm, and fears of market failure due to monopoly arise. In the case of Solidere it seems the company actively, by bulldozing the city center initially, set itself up as the “inevitable solution,” in a rather self-fulfilling prophecy mechanism. The government ultimately, while approving the Solidere plan had no realistic alternative as a backup if the venture were to fail.

Among the more dangerous aspects of using a REHCO, is the possibility that what one is actually advocating is the formation of a monopoly, that will take unitary control over a certain area. The market failures associated with monopolies are ones which the responsible public authority should take care to avoid.

Especially in the case of a weakened government structure, the REHCO can effectively hijack the governments objectivity and autonomy. For example, by having Hariri’s men (such as el-Shalaq) in both the private and public faces of the project, a conflict of interest was created, and the government policing of the project was limited.

The effect on the traditional urban fabric, is also an issue of importance. REHCOs often find themselves developing sites of “traditional urban fabric.” When the properties are assembled, planning is carried out to be consistent with the “new economic considerations” which may affect the entire area. Maintaining the “personality of the city” requires “a good understanding of the urban and architectural characteristics” of a zone.

This was especially a concern in Beirut, where it seemed that the company ignored the characteristics of the center, as a meeting place between different classes and races in Lebanon, and instead only concerned itself with building a development attractive to large global corporations. Not only is this concern important in order to preserve the organic nature of cities, but also to recognize and honor the diversity of different groups. In the case of Beirut, the original property holders felt that their constitutional rights were

\[\text{An idea advocated by Kevin Lynch in the Image of the City}\]
undermined by the government because they were neither allowed their “day-in-court” nor did they feel that the company or the government actually listened to their complaints, and responded sensitively to them. Even within the firm itself, there was little space for individual decision making. The original property owners did not have a powerful voice each being one shareholder amongst thousands. While the structure of a REHCO is considered to be positive in that it facilitates decision taking, it does, however degrade the value of individual decisions.

Of course, the new development means upgrading the economic standard of the designated area. This will, in most cases, lead to higher rents both in commercial spaces and in housing prices. The composition of inhabitants, stores and offices will be affected and so depending on the original goals of the development this may or not be a good thing and maybe exploited by the firms. For instance, in the case of Solidere the effect this would have on the refugee community gave the firm a powerful bargaining chip.

Although the formation of Real Estate Holding Companies generally requires substantial government support, there are some serious obstacles that are encountered in their formation, that deserve further generalization from the case of Beirut, when we are considering REHCOs as model for development.

The aspect of these companies that initiates the most controversy is the formula used for the transfer of ownership of lands to the firms -is it ever possible to convince owners that their compensation in company shares is equivalent to the value of the land? Certainly the extent to which this becomes an issue can be ascribed to the laws applicable in the country, the nature of distribution of properties and personalities of owners.

The claim for a company which legitimizes the right to appropriate lands from private owners is the fact that the firm will be working to further “public interest.” Issues such as the resale of land by the company after the development is completed however, may contradict the initial conditions of “public interest” under which the rights of appropriation were granted. Before embarking on such an initiative (as did not occur in the case of Beirut) a foundation for a rigorous definition of “public interest” including the perceptions of the original property owners, as well as the general public is necessary.

Especially in Islamic cities, due to the existence of a separate and complete set of

---

Islamic laws, it is important that the formation of a REHCO recognize religious shari'a as a separate significant entity. By refusing to attempt to preserve or uphold the laws of these institutions, the government and the firm are making a conscious decision to ostracize and disengage a group from the development process. (In this sense an initiative to encourage research into proposals of new patterns of development more consistent with Islamic shari'a objectives as well as being “compatible with the modern development requirements” would be worthwhile.)

It is also important in these cases not to underestimate the significance of psychological and social obstacles. There is a genuine fear in many developments that the firm has coerced the government to sell the rights of its citizens. Property owners, as is apparent in the case of Beirut, feel betrayed by the model. The REHCO Master Plan itself may also be ostracized and only thought of as an “island for the rich” or an unnatural imposition on an otherwise organic city. Owning one’s land and the ability to make unilateral decisions concerning it, is not equal to owning shares in a firm and being offered a vote on the magnitude of your shares to make decisions on the complete holdings of the company.

How to balance the benefits of efficiency and competence of a REHCO against the rights of original property owners to develop and profit their own land is the key issue. While it may not be possible to find a balance that pleases everybody, certain mitigatory measures do exist that might have made the Solidere project more inclusive of democratic participation and sensitive to the different systems of property rights held by its constituents.

---

9 It is also the case that waqfs, especially in the areas of traditional developmental composition, form one of the obstacles in the face of assembling lands. This is not due to the nature of the waqf itself, but because of the negligence which many waqfs are suffering from. This is due to bad management of the administrators appointed or because of the distribution of the revenues of a certain waqf among large numbers of heirs through generations until such revenues became too little to any of them to deserve the effort of follow-up.
Chapter 9

Conclusion

The researcher Heiko Schmid calls the Solidere story an example of “strategic truth” at work. Indeed, the project is characterized by two very different opinions. Ayman Trawi\(^1\) reflecting on the city center, said:

If the experience of Haussmann-Paris is repeating itself in that of Hariri-Beirut, it would be only wise for the Lebanese intelligentsia to realize early on the benefits of Mr. Hariri’s efforts in the renaissance of Beirut. He offered the city an excellent opportunity of rejuvenation, revival and ultimately, rebirth. Today, it shines bright on the Mediterranean coast, a reminder of past achievements and the entailing great civilizations that followed. Mr. Hariri has successfully put into action the entirety of his vision elaborated in the early eighties and which he fought hard to accomplish.

Whereas when Samir Khalaf explored the impact of the project, he suggested that:

Private interest and self-gain are being promoted at the expense of the public good...the bourgeois values of commercialism and materialism have become so rooted in Lebanese society that almost every relationship is reduced to a cash nexus. In Beirut members of the bourgeoisie have amassed considerable wealth, primarily from real estate transactions - ones which have often lined the pockets of public officials as well.

The Solidere project was aiming to build what the government promised would be, the “Second Republic of Lebanon.” A “culture of reconstruction,” was established through this development. This culture, however, was unsatisfactory to many people. The original

property right holders felt their democratic rights of due process had been compromised. Many Muslim owners felt that their religious rights had been undermined, and that the new government did not give a high enough regard to Islamic Jurisprudence.

Angus Gavin, head of Urban Planning at Solidere, argued, in an interview last summer, that while Solidere’s establishment may not have been based on the most solid of inclusive and yielding policies, we must not remain so static in our interpretation to take that as our understanding of the firm today.

Angus Gavin believes, “building cities doesn’t work unless you do things people want.” Last August he urged me to disregard the rocky start of the firm, and to only look at the benefits and public service the firm provides today.

It is hard, however, knowing the history of the company, not to ask whether it was actually necessary. The firm is not protected from history. Hariri is known as the “man of reconstruction,” and the project was the keystone venture in rebuilding in Lebanon. The Solidere initiative altered how people saw their government, and so the ramifications of the firm must be examined in this context.

As Saree Makdisi put it, “if one can speak of a discourse called Harirism, it would center on but not be limited to Lebanon’s multibillionaire prime minister,” who in the name of economic stability has “brought a previously undreamt-of intensification of profit seeking to the Lebanese economy; in which the apparatuses of the state have not so much been dismantled or circumvented” as they have been put to use for private interests, including those of Hariri himself. For example, the recent passage of law enabling the greater commercial exploitation of the previously highly regulated national coastline. Shortly after the law was passed, came the announcement of a private development project called Port Hariri, which would center on the construction of Beirut’s only remaining public beach, of a private hotel and yacht club complex, adjoining it is a road that was only recently renamed Boulevard Rafiq Hariri.3

Harirism represents a “will to privatize virtually everything, from television stations to garbage collecting to educational institutions to construction projects to state property and institutions to real estate to the national airline” to, the center of Beirut. At the edge of

---

2 Also included in this privatization project are plans for the possible privatization of the national airline, (contingent on negotiations between leading politicians) or to the plans to reduce the number of television stations from sixty to five.
3 As-Safir, 20 December 1994, p. 1
the Solidere project, there are a number of posters showing scenes of a happy and successful "reconstructed" Beirut; the slogan reads, "Beirut is Yours: Ask about It." However, to many people, "excluded" from the benefits of reconstruction this can appear only "as a meaningless phrase, if not an actual insult"\(^4\).

On February 16\(^{th}\) 1996, a family of squatters was killed when their building was brought down by a Solidere demolition crew (with the squatters still inside). Many people's "worst fears were confirmed"\(^5\). It seemed that in the new and gentrified Central District, there would be no space for the destitute and "undesirable" migrants. As Beyhum argued, this project represents nothing less than a "system of class segregation," whereby the future city center of Beirut will be cut off and isolated from the rest of the city and the country precisely in class terms\(^6\). The potential of sectarian reintegration here was also hampered by the "gentrification" and the "alienating effects it might have on the lower classes," those that were more severely segregated on sectarian grounds during the war.

In February 1996, a military curfew was imposed on Beirut to prevent a strike and demonstrations planned by the General Labor Confederation to protest the government's rejection of their call for an increase in the monthly minimum wage. Prime Minister Hariri declared, "we will not allow the government to be toppled from the street." To this end, Lebanon has witnessed both an increase in the activities of "repressive state apparatuses" as well as "an increase in the state's role in those forms of public planning" that - as opposed to health care, education, and low-income housing - "are calculated either to yield immediate private profits" or to improve the infrastructural conditions for the generation of private profits. This does not entail merely the confusion of public and private interest. It is, rather, the "colonization" of the former by the latter. State and private projects can no longer be distinguished, not because this is a strong state that is organizing a command economy but because "capital has become the state"\(^7\).

One of the dangers of having a politically unsupported development project is that once the regime changes, support for the project wavers, and where does that leave the


\(^7\)Negri, following Marx defines this as the total subsumption of society and the state into capital - Twenty Theses on Marx: Interpretation of the Class Situation Today
property holders? But Solidere had gained enough momentum that even the election of a new Lebanese President and a new Prime Minister in the fall of 1998 could not stop the initiative. Yet some things had changed. Various confidants of Hariri were removed from public institutions and some of the law-suits against Solidere that had been frozen were reopened after the change of government. However, the new Minister of Finance, George Corm, one of the former critics, who had previously very strongly denounced the idea has switched sides. As Minister of Finance he required a “positive image of the reconstruction project” in order to attract foreign investors, since the failure of the project would be a “catastrophe for the economically unstable Lebanon.”

But the project had already lost some of its impetus. Construction permits were given out more restrictively than in the past and Solidere had to contend with unfavorable economic conditions in the Middle East and in the global economy. The economic crisis in Asia in the summer of 1998 led to the withdrawal of some Far Eastern investors from the project. In 1999 a “new and difficult phase seemed to be imminent.” The infrastructure works had come to an end, but had used up most of the firm’s cash, which had to be replenished through land sales.

Another change of government and the reappointment of Hariri as Prime Minister after winning the election in the summer of 2000 brought an end at least to the domestic difficulties for Solidere. However, some of the economic difficulties remained. Had Solidere secured public support outside of direct government power, regime changes might not have had such drastic effects on the functioning of the firm. George Corm, the Lebanese economist and Minister of Finance, put it best when he said, “Clearly, it is the Lebanese population, resident or emigrant, that is the missing element from the actual process of reconstruction.”

The hiccoughs in support for these projects between regime changes is worsened by the fact that the project has not established any long-lasting, community-level decision making. Instead, the functions and controls of the central government have increased as a result of the economic success of certain development schemes. There has not been any effort to develop effective community leadership in areas affected by these projects.

---

The failure of these development projects to meet their social goals is attributed by Johnson and Lintner to lack of recognition by national and foreign development planners of the pluralistic nature of law and of property concepts in the Middle East. They believe that many of the conflicts that occurred as a result of these area development schemes could have been avoided if planners had taken into account traditional legal institutions. In order that law can be a more effective instrument of social change, these scholars recommend that development planners give full recognition to the pluralistic legal context of Middle Eastern societies, identifying both traditional and national rights to key resources and encouraging the participation of local community members in development plans in order to mitigate their impact.

This goes beyond mitigating policies like offering more adequate compensation. In order for the REHCO to be a convincing model of development they must be sustained by genuine public support, rather than on strategic influences alone. Solidere was able to survive the ratification process by using approaches like “embedding strategies” and “dividing and conquering.” This strategic response to the situation is not, however, one which will foster community leadership and help to heal community divisions.

Beirut, especially in view of the reconstruction project, has been called a “laboratory for the current and future elaborations of global capitalism.” After the war, Lebanon found itself in a state of deteriorated public order, dilapidated government apparatuses, and washed out civic organizations. However, today the process of privatization is already at a more advanced stage in Lebanon than it is elsewhere in the rest of the Middle East.

As Assem Salam points out, “clearly, privatization should never be a choice when the administration is weak and its institutions are ailing. Instead, priorities should be directed at the reinforcement of those state institutions capable of playing their role in formulating development policies, exercising control, and supervising successful implementations.” Only when the state is sufficiently capable of fulfilling its role at monitoring and mediating should the private sector be invited to contribute and invest in the reconstruction effort. This condition would prevent situations like the encampment of private interests in public institutions (like al-Shalaq’s appointment in the CDR).

---

In the case of Beirut, emerging from a violent and tragic Civil War, more attention might have been given to coordinating a “culture of reconstruction” that was more sensitive to the needs of the public, despite the extra inefficiencies that might have been added.

Once we understand the strategies used by Solidere, the real question becomes, is there any way to achieve a real balance. Can we have large urban projects fueled by REHCOs, without too severely compromising the property rights of the stakeholders involved. Ultimately, even if the basic public institutional support is available, the issue boils down to three key questions; what the rights of individual property owners should be under such circumstances; what forms of compensation are appropriate if the government lacks adequate funding; and what the formula for community participation should be under such circumstances.

Abstracting from the case of Beirut, the issue remains of how much authority the collectivity should have over land after a disaster. To what extent is it acceptable for a government to mandate the use of land after a disaster? Post-World War II experiences have seen situations of eminent domain and compulsory rebuilding measures. Even if we accept that land must be rebuilt, the question of when a reconstruction vehicle such as Solidere is appropriate at all still remains. Solidere’s massive power may be a feature of REHCOs that is constrained to a weakened post-war government. A more stable regime, with deep-rooted institutional support may have been better able to control and monitor the firm. The political climate of the host country must be determined before such REHCOs can be used in other situations.

Before such institutions are employed as mainstream development models in the Middle East, further research into their effects on the balance between secular and Islamic legal systems, the handling of marginalized groups, and under what legal and administrative government conditions it is safe to resort to such a venture, is necessary.
Bibliography


