

State Capture: With Special Reference to Lebanon and Arab Countries



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State Capture Index:

Country	1996-1998	1999-2001	2002-2004	2005-2007	2008-2010	2011-2013	2014-2016	2017-2019	2020-2022
Algeria	55.6	58.3	57.4	55.7	58.2	58.2	58.6	62.5	61.2
Bahrain	81.1	76.6	76.2	76.2	77.4	81.2	82.9	83.4	82.4
Egypt	70.9	73.5	73.1	76.1	76.4	65.0	76.0	76.5	74.6
Iraq	89.6	89.2	81.8	80.5	80.2	83.9	84.8	87.3	85.2
Jordan	49.1	54.7	56.7	54.0	54.8	53.9	50.4	48.1	46.9
Kuwait	45.3	47.8	49.8	49.2	49.9	51.6	51.8	52.7	53.5
Lebanon	77.8	78.6	79.4	75.5	77.2	77.3	74.2	77.3	80.5
Libya	69.8	70.6	70.6	70.2	70.1	49.3	51.9	51.1	54.7
Morocco	63.6	60.1	56.2	57.0	57.4	56.7	55.2	54.3	50.0
Oman	60.7	57.0	57.3	59.2	58.2	58.0	57.9	56.3	56.4
Qatar	69.8	67.6	57.9	58.9	59.2	61.6	60.9	61.1	64.4
Saudi Arabia	64.4	65.2	66.3	66.7	66.6	68.5	65.8	62.6	60.4
Sudan	84.0	82.0	80.1	75.7	76.0	79.8	80.5	72.6	62.5
Syria	81.1	86.8	86.8	88.1	88.9	92.1	93.0	94.3	93.7
Tunisia	66.8	66.9	65.0	64.5	63.9	24.7	21.0	21.4	23.3
UAE	50.8	50.4	51.0	54.9	53.6	54.3	51.6	51.4	51.8
Yemen	78.0	78.9	81.1	83.0	83.3	75.4	87.5	91.8	91.9

Canada	9.5	10.7	10.4	13.1	12.5	12.1	11.0	10.8	10.8
Chile	25.5	24.3	25.5	26.1	27.1	27.2	27.3	26.4	28.4
Nigeria	75.5	68.3	70.1	69.7	70.9	68.8	65.6	67.9	68.8

Source: *Results for Development*, 2024.

It was Aristotle who first introduced the word oligarchy, arguing that oligarchy is a perverted form of aristocracy, and it occurs when men of power and property have the government in their hands. That is what is known in the recent literature as ‘state capture’, referring to the shaping and manipulation of national laws, regulations, policies, and institutions by the economic and political elite for their own benefit at the expense of the public good¹.

This system of governance has serious, devastating drawbacks. *First*, the societal cost is likely to be orders of magnitude higher than for conventional forms of corruption. And such outsized cost inflicted by state capture on society extends far beyond the economic realm as the rule of law, security, human rights, democracy, and accountability are undermined, and as society become increasingly unequal and divided.

Second, the notion of state capture embraces manifestations of mis-governance which, while highly damaging, *can be legal*, and seemingly more nuanced than outright bribery or stolen public funds. That is because the undue influence in shaping the rules of the game bestows legality on the action of captors, and ensures that the laws are shaped in such a way that their actions may not be strictly illegal according to current norms. In others words, it allows captors to gain privately at the expense of public welfare, yet at the same time avoid any legal jeopardy.

Third, state capture includes state actors (state leaders/politicians and political parties) as captors, in addition to – or even in collusion with -- non-state actors (mostly powerful private firms and businesses). By doing so, autocratic leaders could then be regarded as the key state captors in their countries. As such, the ‘capture of the state’ by powerful non-state actors was expanded to allow for the ‘capture by the state’ by its leaders and/or other state organs. However, these distinctions can still apply, as we can safely say that the former still applies mostly (and to a limited extent) to democratic developed countries, whereas the latter to mostly (and to a considerable extent) authoritarian developing countries.

Moreover, the notion of state capture deepens and broadens the notion of corruption. Corruption is normally viewed as abuse of public office for private gain, and has traditionally focused on illegal activities by public officials to enrich themselves. But, more glaringly, this accepted definition of corruption tends to ignore the central role played by state and non-state actors in state capture; and does not address the question of whether the rules of the game are being shaped or subverted for the benefit of the elite, resulting in a high cost to society. And as it is credibly shown that the impact of corruption on the economy is quite notable – a 1% increase in corruption reduces GDP growth by 0.4%², for example -- so we would expect the impact of state capture to be significantly higher.

Empirically, a state capture index can be constructed to ascertain the extent of state capture in the Arab countries. It is a composite index of three major sub-indices: Corrupt and Captured

Kaufmann, D. “State Capture Matters: Considerations and Empirics toward a Worldwide Measure”, ¹ *Results for Development*, 2024.

“Impact of Corruption on Growth and Inequality”, *Transparency International*, 2014.²

Rule of Law; Captured Political Access and Policy; and Capture (or capturing) Enabling Environment. The index varies from 0 (no capture) to 100 (full capture)³.

The above table lists the state capture index (SCI) for 17 Arab countries (in addition to Canada, Chile, and Nigeria for comparative purposes) over a two-year period each from 1996 to 2022. Several important observations can be derived from the table for 2022:

- 1) The average for the listed Arab countries is 60.5, reflecting the fact that the Arab world as a whole is subject to serious state capture. And given that Arab countries are widely known to be rather authoritarian then we expect state capture to be dominantly by state actors.
- 2) Only Jordan and, more noticeably, Tunisia have indices below 50. In fact, Tunisia's index at 23.3 is the lowest in the group and comparable to those fledgling developed countries (close to Chile). And its index has fallen from 66.8 in 1996, indicating that Tunisia's Arab Spring has been rather fruitful after the deposition of the notorious Ben Ali regime.
- 3) The highest scores, perhaps unsurprisingly, are for Syria, Yemen, Iraq, Bahrain, Lebanon, and Egypt at, respectively, 93.7, 91.9, 85.2, 82.4, 80.5, and 74.6. Lebanon is a good case in point where, despite six years of a calamitous crisis, the political elite have not taken any corrective measures – for instance, like imposing capital controls, revoking banking secrecy... – so as not to jeopardize their freedom in hiding and transferring their ill-begotten wealth (more below).
- 4) All GCC countries have indices that vary between 51 and 83, indicating a tendency for oil economies to be state captured, as would be expected (like Nigeria). UAE has the lowest score at 51.8 which partly explains its position as a magnet for international business. Bahrain, on the other hand, has the highest score at 82.4, and being relatively the 'poorest' of the GCC countries, it represents an interesting case as to whether this is the cause or the effect of state capture by its elite.

Lebanon's position in the SCI consistently places it in the top quartile of the most highly captured states globally. Across all three key dimensions of the index, Lebanon scores between the 70th and 87th percentile. This is not merely a statistical anomaly; it is a reflection of decades of institutional deterioration, fueled by a confessional power-sharing system that has entrenched sectarian political elites and undermined democratic governance. In Lebanon, political leaders are not just enforcers of public policy, they are often architects and beneficiaries, designing laws, regulations, and economic frameworks that protect their interests and marginalize dissent.

Economically, Lebanon has spiraled into a devastating collapse, marked by hyperinflation, banking insolvency, and mass unemployment. Yet this economic collapse extends beyond the result of poor fiscal management, it is the product of deliberate policy choices that served elite interests.

What makes Lebanon's case especially concerning is its potential trajectory. Kaufman warns that state capture, especially in democratic or semi-democratic settings, can be a precursor to

Kaufmann, D., *ibid.*³

democratic backsliding and even autocracy. Lebanon is already showing sign of such erosion. Electoral processes have become performative exercises in legitimacy, recycling the same political dynasties. Civil liberties are curtailed, and protests, though powerful, have yet to break the institutional logjam. The risk is not simply stagnation, but regression, a slow descent into authoritarianism under the guise of sectarian consensus.

Lastly, we are aware that constructing such an index is not a perfect process and its scores are not ideal, as they could be subject to not a few measurement errors. As such, careful and detailed micro studies of individual countries on state captures are no doubt a better alternative approach. However, at the same time, the index is a good approximation, especially when it comes to ranking of individual countries and the extent of state capture in each⁴. More important, of course, are the questions of how to reduce the extent of state capture and reverse its negative effects on GDP and income distribution, besides as to why it has arisen in the first place! Lebanon's experience underscores the urgency of confronting capture not only as a policy challenge but as a societal crisis, one that demands structural reform, international accountability and, most of all, a citizenry empowered to reclaim the state from those who have privatized it from their gain.

In this respect, differences over time or space of, say, less than 5–8 points on scales of 0–100 are not ⁴ material

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