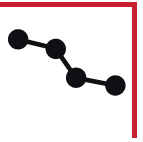


Lebanon Crisis Update

February 2022 ■ ■



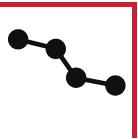
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The Monthly Lebanon Crisis Update provides an overview of economic and political developments to alert the international aid response to new and emerging challenges that could impact the humanitarian situation in Lebanon. In the context of the multiple crises affecting Lebanon, the update tracks the impact of political developments on the economy, relevant international developments, updates on service delivery and governance issues, and analysis of the drivers of humanitarian need as they develop. The report also aims to provide nuanced forecasting on contextual shifts relevant to shifting needs and the implementation of humanitarian programming. The report draws upon a desk review of currently available literature, analysis of relevant quantitative data, and key informant interviews with a range of experts and individuals with knowledge of Lebanon's economy.

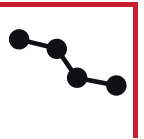
The Lebanon Crisis Analytics Team (LCAT) provides reactive and in-depth context analysis to inform the humanitarian community in Lebanon. The information and analysis contained in this report is strictly to inform the humanitarian response and policymaking on Lebanon.

This study/report is made possible by the support of the American People through the United States Agency for International Development (USAID). The contents of this report are the sole responsibility of the LCAT and do not necessarily reflect the views of USAID or the United States Government.



Key Findings:

- The Lebanese Pound (LBP) was relatively stable throughout February after rebounding in January. It is unclear whether the Central Bank will be able to maintain the rate, especially in the face of declining reserves and a rising trade imbalance driven in large part by higher global oil prices, and an increasingly nervous market. Further currency volatility is expected to occur in the coming weeks.
- Russia's invasion of Ukraine is expected to have profound consequences for Lebanon, including higher grain and petroleum prices. Fuel imports constitute the largest drain on Lebanon's scarce FX reserves, in part due to the country's inefficient electricity sector. Fuel is also a major cost driver across all value chains.
- The 2022 draft budget was finalized by the government on February 23, following a one-month-long review and amendment process. Major changes were made to tariff and tax structures, which will lead to higher prices if the budget is approved by the parliament.
- Lebanon concluded its first round of talks with the International Monetary Fund (IMF) on February 11. Negotiations between Lebanese officials and the IMF began in January, after the government presented an "agreed upon" figure of financial sector losses in December. The IMF issued a statement indicating that an agreement is far from completion, in large part because reforms needed to unlock funding have not been implemented.
- Public utility fees in Lebanon are set to increase, resulting in a higher cost of living. Increased water fees and higher electricity bills are expected in the months ahead, which will negatively affect households and businesses, while no meaningful wage adjustment is expected.
- Lebanon plans to begin distributions of the World Bank-funded Emergency Social Safety Net (ESSN) at the beginning of March. The two-and-a-half-month registration window closed at the end of January with 1,472,411 people registering, about 20 percent of the population. When analyzed against vulnerabilities and growing needs (i.e. MSNA findings), it is clear that households which applied for ESSN/Ration cards are concentrated in districts with low food security as well as districts where households rely on credit to buy food and finance household budgets.



FEBRUARY

On February 11, Lebanon concluded its first round of talks with the IMF.



11

On February 3, the State Shura Council issued a judgment halting the implementation of the Minister of Labor's decision to lift work restrictions imposed on Palestinians born in Lebanon, foreigners born to a Lebanese mother or married to a Lebanese woman, and those born in Lebanon who do not hold any nationality.

14



On February 17, the Corporation of Water in Beirut and Mount Lebanon announced an increase in annual public water fees by 125%.



15

On February 15, the cabinet approved the allocation of LBP 360 billion, or USD 18 million, to hold a parliamentary election in May of this year.

22



On February 23, the cabinet finalized the 2022 draft budget after a month-long discussion and amendment process.



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On February 23, the Central Bank announced a one-month extension of Circular 161 through the end of March.

24



On February 28, the president signed the cabinet draft budget, which will be sent to the parliament for debate.

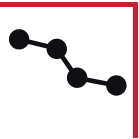


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On February 24, Russia launched a full-scale invasion of Ukraine, which is expected to impact fuel prices and food security in Lebanon.

26





“ Economic and humanitarian updates:

After rebounding in January, the Lebanese Pound (LBP) was relatively stable throughout February. The parallel market rate reached an all-time low of LBP 33,000 to 1 US dollar (USD) on January 11. The depreciation triggered an intervention by the Central Bank, which led to the appreciation of the pound, to about LBP 20,500 for USD 1 by the end of January. In early February, the pound depreciated against the dollar to LBP 21,500 before appreciating to LBP 20,500 in mid-February and stabilizing between LBP 20,700 and LBP 20,400 throughout the rest of February (see figure 1). This is mainly due to the extension of Circular 161¹, which grants commercial banks access to USD through the Sayrafa platform. Cumulative injection of USD on the Sayrafa platform totals more than USD 1.4 billion since the start of 2022, including USD 846 million in February. The average use of the Sayrafa platform increased 47.7% in February compared to January 2022. On February 23, the Central Bank announced the extension of Circular 161 for an additional month, through the end of March.

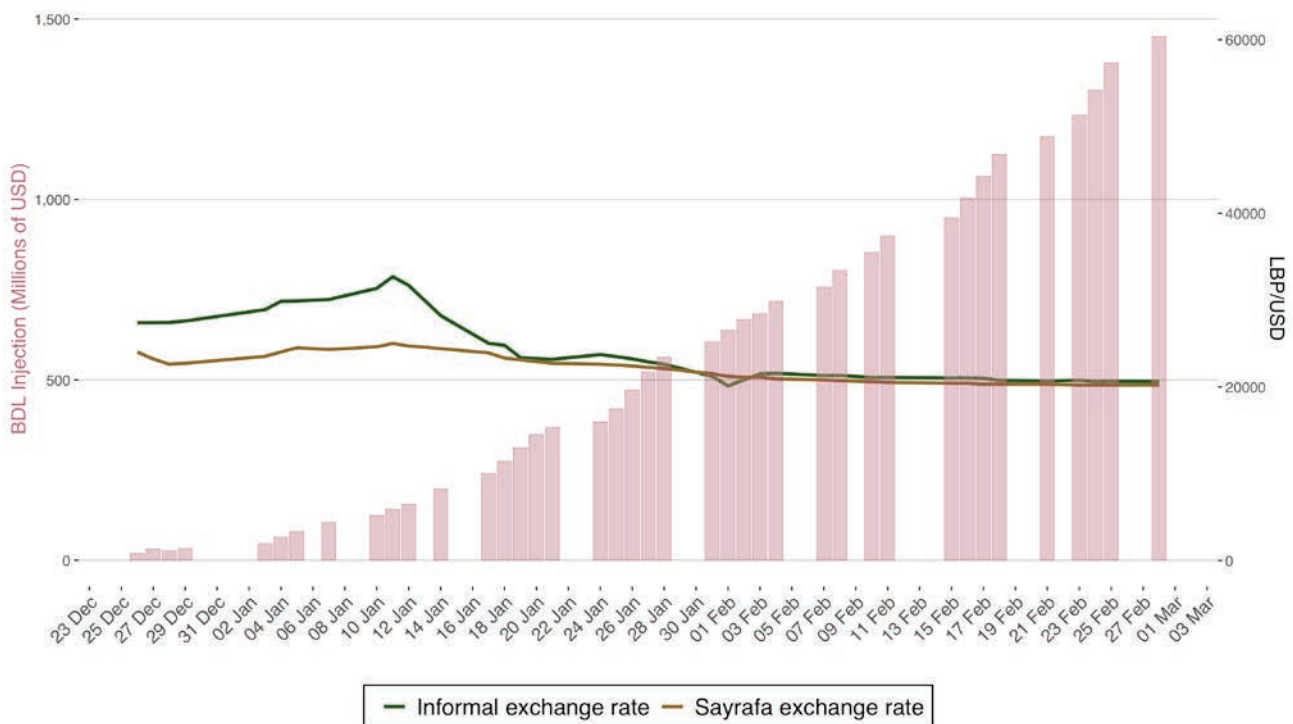


Figure 1: Cumulative amount of dollars injected on Sayrafa vs. the Sayrafa Exchange Rate and the Informal Exchange Rate

¹ The Central Bank issued Circular 161 to regulate the market rate by injecting dollars to the banks through the Sayrafa platform. On January 11, the Central Bank amended Circular 161 with a clause stipulating that Lebanese banks are entitled to an increased quota of LBP deposits withdrawable in USD at the Sayrafa rate. On January 14, the Central Bank announced an additional amendment to Circular 161, removing quotas altogether, meaning banks can now access any amount of USD through the Sayrafa platform.

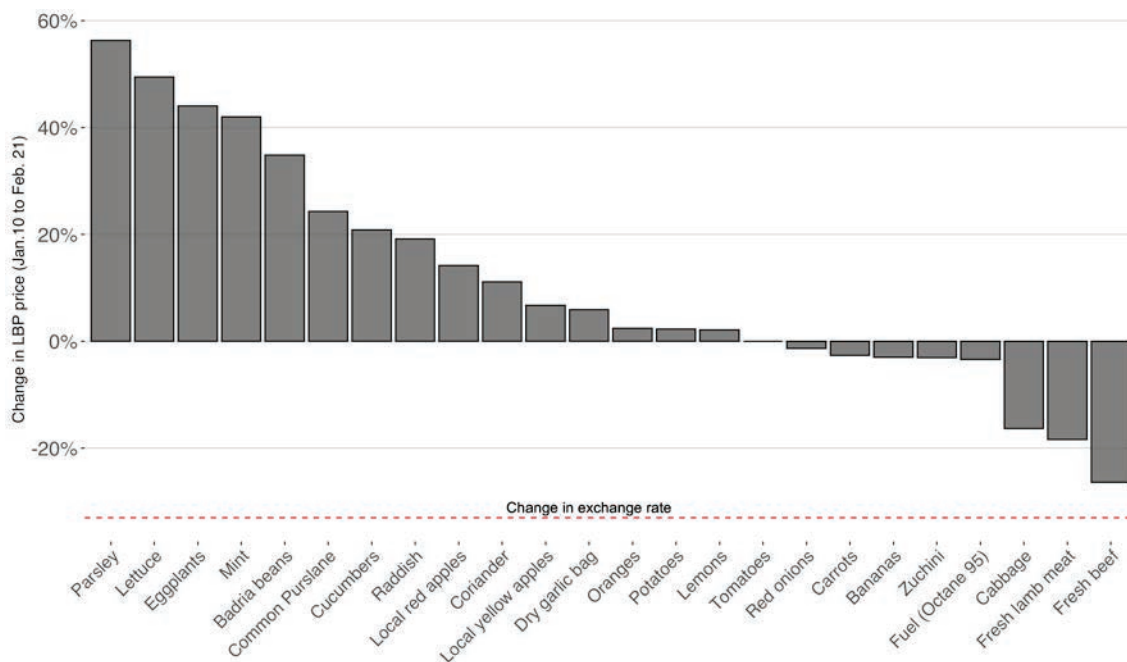
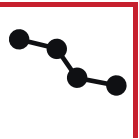


Figure 2: Change in Prices of Essential Items vs. Change in Exchange Rate from January 10-February 21²

The LBP rebound in January and February was not accompanied by a decrease in the price of most goods. According to data from the [Ministry of Economy](#), the price of essential food items did not decrease in line with the appreciation in the LBP rate (see figure 2). Prices of essential food items such as parsley, lettuce, eggplant, and mint increased by at least 40%, while beans, common purslane, and cucumbers increased by at least 20%. Prices of other essential goods decreased, including a slightly less than 20% drop in the price of cabbage and fresh lamb meat, while fresh beef decreased by about 25% - still less than the 33% drop in the LBP market rate against the dollar.

² February 21 is the last date in the market basket dataset in comparison with a 33% drop in market rate in the same period of January 10 to February 21, 2022.



Figures 3 and 4 show the difference between the price of eggplant and fresh lamb meat against the parallel market rate. Adjustments in the price of these two common food items vary in relation to changes in the exchange rate³ due to yet unidentified market forces. From January 10 to February 21, the price of eggplant in LBP increased by 28%, while the USD price - used here to account for the pound's recent appreciation against the dollar - increased by 94%. The price of fresh lamb meat decreased by 22%, with the USD price of fresh lamb meat increasing by 18% in the same period.

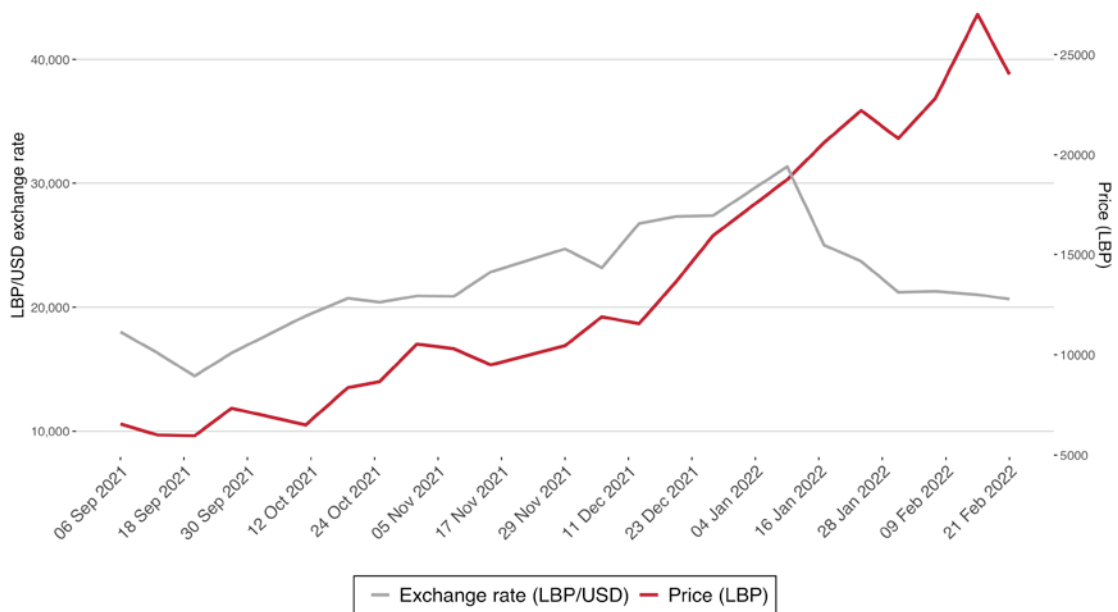


Figure 3: LBP price of eggplant vs. Exchange Rate

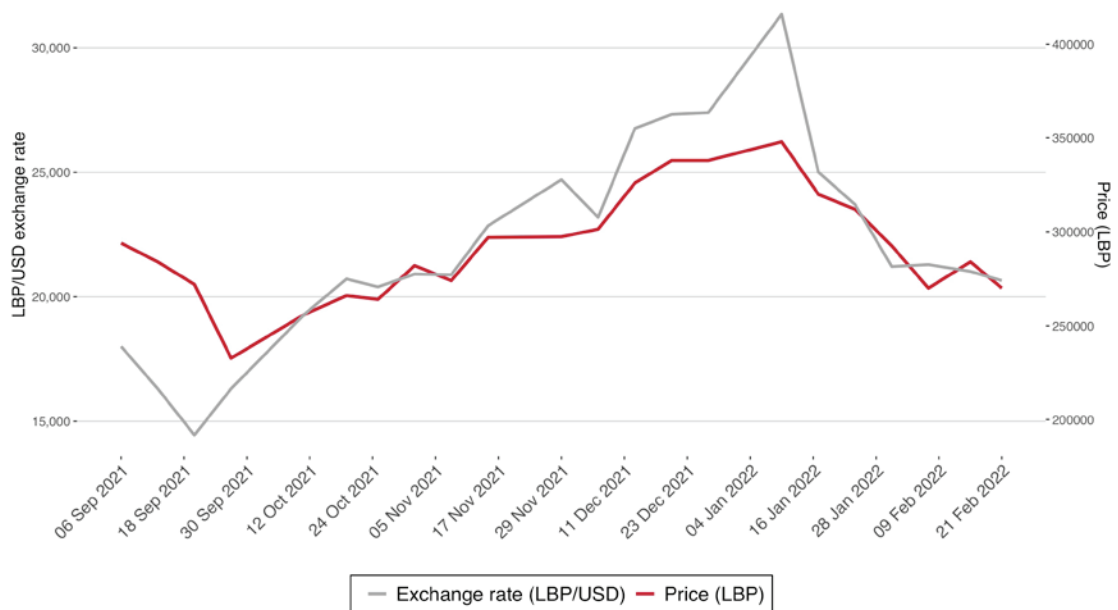
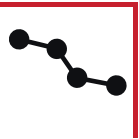


Figure 4: LBP price of Fresh Lamb vs. Exchange Rate

³ This is known as a pass-through effect. More precisely, the effect of changes in a specific foreign currency exchange rate (e.g. LBP/USD) on domestic prices.



The Russian invasion of Ukraine is expected to have profound consequences for the global economy and Lebanon, including higher commodity prices, specifically grains and petroleum. Lebanon's ability to house a strategic grain reserve was crippled when the grain silos at Beirut port were destroyed in the August 2020 blast. Currently, the country holds an estimated month's supply of wheat and is dependent on the global grain spot market for purchases. According to FAO, Lebanon sources 66% of its wheat from Ukraine and 12% from Russia⁴. Similar figures exist for other grains such as soy and corn, as well as vegetable oils. Corn is essential for livestock feed, which in turn will increase the cost of meat and poultry products. In the immediate term, a persistent inability to access Black Sea wheat could lead to a supply crisis in Lebanon, as buyers around the world scramble to identify new sellers. The Lebanese minister of economy reportedly requested that the US and other international donors help secure an emergency reserve.

The Ukraine conflict has led to a spike in oil prices, pushing oil over USD 100 per barrel for the first time since 2008, reaching USD 103 per barrel at the end of February. Fuel imports constitute the largest drain on Lebanon's scarce foreign exchange (FX) reserves, in part due to the country's inefficient electricity sector. Fuel is also a major cost driver across all value chains.

The 2022 draft budget was finalized by the government on February 23, following a one-month review and amendments process. The draft budget was reviewed and signed by President Michel Aoun on February 28 and will be sent to the parliament for debate and approval. According to Prime Minister Najib Mikati, the budget projects spending at LBP 47 trillion and a deficit of about LBP 7 trillion. Mikati did not state which gross domestic product (GDP) growth forecast was used to draw up the budget or offer an estimate of the deficit as a percentage of GDP. However, MP Ibrahim Kanaan, who heads Parliament's Finance and Budget Committee, announced that the budget proposal assumes a 3% GDP growth rate for 2022, which he says is not feasible given current conditions.⁵ When sent to the parliament, the budget will first be reviewed by the Finance and Budget Committee, before being sent for debate and voting. The LBP 5.25 trillion in cash advance to the Électricité du Liban (EDL) that was previously included in the draft budget was excluded from the final draft budget. The draft budget is expected to apply a rate much closer to the market value for customs transactions, about LBP 20,000, which could lead to inflation. The applied rate is already being criticized by some political parties, including those with representatives in the government.

Lebanon concluded its first round of talks with the International Monetary Fund (IMF) on February 11. Talks between Lebanese officials and the IMF began in January after the government presented an "agreed upon" figure of financial sector losses in December. The plan to distribute losses entails depositors losing USD 38 billion, bank shareholders USD 13 billion, the government USD 10 billion, and the central bank USD 8 billion. The plan was heavily criticized by civil society for being unfair to small depositors. The Association of Banks in Lebanon (ABL) also rejected the plan and released a statement claiming that it would result in a loss of confidence in the financial sector. In 2020, talks stalled between Lebanon and the IMF over disagreements over who will carry the burden of losses. After the conclusion of talks on February 11, the IMF posted a [statement](#) indicating that reforms⁶ are still needed before an agreement is finalized.

⁴ <https://www.thinktriangle.net/ukraine-lebanon-food-security/>

⁵ According to the World Bank, real GDP is projected to decline by 10.5% in 2021, following a 21.4% contraction in 2020

⁶ These comprise fiscal reforms; restructuring the financial sector; reforming state-owned enterprises, particularly the energy sector; strengthening governance; anti-corruption measures; enhancing transparency and accountability; and a credible monetary and exchange rate system.



Credit: Associated Press

Analysis/Impact:

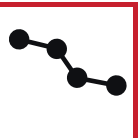
Economic and humanitarian updates

The Central Bank's [intervention](#) via Circular 161 has raised concerns over its sustainability, in particular the effect it will have on the depletion of national FX reserves. The Central Bank [balance sheets](#) indicated a USD 509 million drop in the FX reserves in January, which in February showed an additional USD 384 million drop. This left Lebanon with about USD 10.8 billion in FX reserves, including USD 1.1 billion in Special Drawing Rights. Lebanese economists are publically critical of this intervention, given the quick losses it imposes on national reserves.

The majority of [fruits and vegetables](#) sold in Lebanon are locally produced,⁷ thus their price is subject to a range of factors, including the increasing price of imported agricultural inputs, supply and demand dynamics, and wholesale market pricing, the latter of which is not a transparent process. The exchange rate may affect the price of fruits and vegetables based on the prices of imported inputs (e.g. seeds, pesticides, and fertilizers). While these costs were incurred - this planting season - before the appreciation of the exchange rate, factors such as the cost of labor, rent, water, and energy play a much larger role in setting the prices of local goods. With the expected increases in water and energy bills, prices of local products, both agricultural and others, are expected to increase.

Imported goods are particularly affected by exchange rate fluctuations. For instance, meat (mostly imported product) prices are more in line with the exchange rate than eggplant (local product) prices. The most recent appreciation of the exchange rate was expected to reduce those prices.

⁷ Agriculture is the third-most productive sector in the country after the tertiary and industrial sectors. It contributes 5% of GDP and 8% of the effective labor force. Source: FAO.



There is no strong evidence that this has happened, and price rigidity can be attributed to several factors. Firstly, traders want to benefit from improved profit margins by keeping prices high for as long as they can, and secondly, they bear the risk of future exchange rate fluctuations. Finally, prices are set based on what people are willing to pay. If there is sufficient demand for imported products at given prices, and in the absence of consumer protection agencies to control profit margins, no downward pressure is going to be exerted on the prices of these goods.

The [food basket](#) of vulnerable families primarily comprises local products. Therefore, the appreciation of the exchange rate and the potential positive role it might play in reducing prices will have a minor impact on these families, if any at all. While circular 161 enables depositors to withdraw their salaries in USD and exchange for LBP at the appreciated rate, they purchase essential goods at increasing prices, further reducing their purchasing power.

Concerns over the impact the [Ukraine](#) conflict will have on Lebanon had an almost immediate effect on the market. Although the impact of higher oil prices should in theory take months to be reflected in the market, lines returned to gas stations in early March and taxi drivers increased fares in anticipation of shortages and further price increases. This disruption reflects the fragility of the Lebanese market to exogenous shocks, especially fuel pricing. Going forward, the impact of the Ukraine conflict is expected to be significant. In the immediate term, Lebanon will struggle to access new sources of wheat and other grains in the absence of a strategic grain reserve and a dependence on spot market purchases.⁸ Even more devastating will be the impact of higher international oil prices, which will not only be reflected in higher prices for fuel itself, but will drive price increases across the board.⁹ This in turn could lead to further macroeconomic instability, and could destabilize the Central Bank's currently tenuous ability to keep the lira stable.

In January, transportation allowances for public sector workers increased to LBP 65,000 per day, adding about LBP 1,300,000 monthly. Only 25% of public sector employees make more than the survival minimum expenditure basket (SMEB) when taking into account the increase in transportation allowance. If these factors lead to further inflation and a much higher SMEB, public sector employee salaries will not be able to cover basic living expenses. Low salaries and the Covid-19 pandemic have resulted in most public institutions being open once or twice a week, enabling many state employees to work more than one job to account for their loss of purchasing power, while also generally weakening state services.

⁸ Markets for immediate delivery, rather than through long-term fixed contracts that offer more protection against the vagaries of international price volatility.

⁹ The impact of the conflict in Ukraine will also be reflected in a surge of essential goods prices, which will increase the already inflated food basket. According to the latest UN Inter-Agency Coordination Basic Assistance Working Group report, the total Survival Minimum Expenditure Basket (SMEB) cost in Lebanon was LBP 5,283,557 as of December 2021.



“ Service Delivery and Social Protection updates:

The price of public services in Lebanon are set to increase, resulting in a higher cost of living in Lebanon. Prime Minister Mikati announced in February that the state can no longer provide electricity, water, and telecoms for “free” and Minister of Telecommunications Johnny Corm announced that without price hikes, the sector cannot survive. He said that one-third of the telecom bill will need to be calculated on the Sayrafa rate. In similar news, the Corporation of Water in Beirut and Mount Lebanon of the Ministry of Energy and Water announced an increase in annual public water fees by 125% from about LBP 300,000 to about LBP 1,000,000. The price of passports, which have been in huge demand over the past two years, is also set to double in cost, to LBP 600,000 for a five-year passport.¹⁰

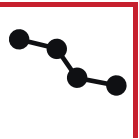
Minister of Energy Walid Fayad presented the government with a draft plan for the energy sector. The plan envisions EDL breaking even by 2023 and turning profitable by 2024. EDL’s financial deficit reached USD 1.8 billion in 2018 and a cumulative debt of about USD 30 billion for the last 25 years.¹¹ EDL’s annual revenues reportedly cover 4% of its USD 800 million operating costs.¹² The ministry plans to increase bill collection, cut technical losses, and raise electricity prices from about 1 cent per kilowatt/hour (KWH) to about 10 cents per KWH for most residential customers and 18 cents for others. On top of these measures, the ministry is seeking USD 3.5 billion in state funds to secure 24-hour electricity by 2026. Fayad stated that the plan is to ensure 8 to 10 hours of electricity per day beginning in spring 2022 and from 16 to 18 hours per day in 2023, reaching 24 hours per day by 2025-2026. In January, Lebanon signed a deal with Jordan and Syria to receive electricity from Jordan by the way of Syria and gas from Egypt. However, with obstacles¹³ still in place, the gas is not expected to be delivered immediately.

¹⁰ The General Security, the institution that processes passports, announced that they have been receiving 7,000-8,000 requests per day. A new platform was launched to help manage applications online, although some concerns have been raised around data privacy and the fact that the service provider is owned by a parliamentary candidate in the upcoming elections.

¹¹ https://www.energyandwater.gov.lb/mediafiles/articles/doc-100515-2019_05_21_04_27_25.pdf

¹² https://www.energyandwater.gov.lb/mediafiles/articles/doc-100515-2019_05_21_04_27_25.pdf

¹³ Financially, the World Bank asked for energy sector reforms to secure the funding. Logistically, agreement on and implementation of pipeline renovations will prolong the arrival of gas. Politically, sanctions have not been officially waived to facilitate the deal.



Lebanon plans to begin World Bank-funded Emergency Social Safety Net distributions at the beginning of March. The two-and-a-half-month registration window closed at the end of January with 1,475,535 people signing up, about 20 percent of the population. The areas with most applicants are, in descending order, Baabda, Akkar, Baalbeck, Zahle, Saida, Tyre, and Beirut. IMPACT data shows that 5% of people that applied receive remittances, 59% are currently unemployed, and 92% do not have a bank account. About 150,000 of Lebanon’s poorest families will receive payments of USD 23 per month per person, or a maximum of USD 126 per household, beginning on March 1. Payments for January and February will be made retroactively. Social Affairs Minister Hector Hajjar said that funding for the ration card project has not been secured but negotiations with the World Bank are “serious”. The World Bank is asking for co-funding from Lebanon, for which the government is trying to secure USD 300 million.

To better understand people’s necessities and household characteristics, LCAT analyzed correlations between ESSN/Ration Card applicants and indicators of REACH’s Multi-Sectoral Needs Assessment. ESSN/Ration card applications are concentrated in districts with low food security and where households rely on credit to buy food and finance household budgets. There is a negative correlation between ESSN/ration card applications per-1,000 people and the proportion of households in debt from a major purchase, as well as the percent of households that use savings as a source of income. This is unsurprising because the ability to purchase expensive items and maintain a savings account large enough to sustain a household indicate relative affluence.

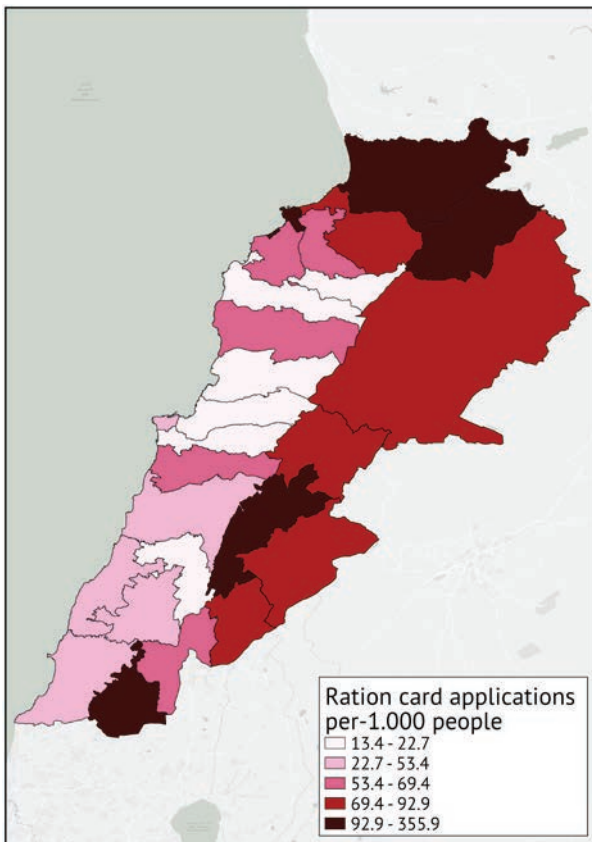
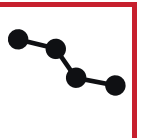


Figure 5: The number of ration card applications per-1,000 people.

The State Shura Council issued a judgment overturning the minister of labor’s decree that amended labor restrictions applied to Lebanon-born but non-Lebanese citizenship holding individuals. In December, Labor Minister Mustafa Bayram amended work restrictions¹⁴ imposed on Palestinians born in Lebanon, foreigners born to a Lebanese mother or married to a Lebanese woman, and individuals born in Lebanon who have no nationality. After pushback from multiple syndicates and political parties, the Maronite League sent an appeal to the State Shura Council, claiming that the ministerial decision had “formal” flaws and violated “constitutional norms and Lebanon’s high-level policies preventing nationalization.” On February 3, 2022, the State Shura Council issued a separate decision, which found that the minister exceeded the limits of his authority by granting permits for Palestinians born in Lebanon to practice professions that the law restricts to Lebanese.

¹⁴ Labor restrictions on Lebanese born non-citizen residents have been a contentious issue for decades, especially given the presence of Palestinian non-citizens for over 70 years. The historic ban disallowed Palestinians born on Lebanese soil, foreigners born to a Lebanese mother or married to a Lebanese woman, and those born in Lebanon who do not hold a nationality from seeking employment in certain professions, such as engineering, banking, or medicine.



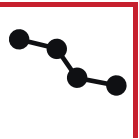
Analysis/Impact:

Service Delivery and Social Protection updates:

Increased water fees and anticipated electricity bill hikes are expected to hit households and businesses hard, especially since adequate wage adjustments have not been proposed. Even though electricity prices should be lower for lower income brackets, vulnerable families who already face food security issues are not going to be able to pay their bills, leaving many with the choice of not paying bills or going into – in many cases – further debt. As food security and indebtedness are two major factors related to the likelihood of applying to the ESSN cash assistance program, the increase in power and water bills is likely to see an increase in the number of families interested in applying to similar programs.

Small and medium enterprises (SMEs), especially those in the manufacturing and industrial sector, will face increased production costs, which will ultimately affect their already lowered profit margins. Some industries have been able to survive and capitalize on import substitution opportunities, mainly because they are able to maintain a low cost of production, including bills, rent, and wages.

The ESSN, ration card, and other cash assistance or safety net programs cannot compensate for increases in prices of goods, services, and bills. Moreover, they are not designed to do so. The ESSN will provide USD 126 per month per household, which is equivalent to about LBP 2,583,000 at a LBP 20,500 market rate. Taking electricity as an example, the state plans to increase electricity bills to at least LBP 1,000,000 per month, with private generators still needed to cover the gap in state power provision. Five amperes of electricity from a private generator currently costs about LBP 1,200,000 per month, which increases a household's total monthly electricity bill (state-provided power and private generators) for less than 20 hours of daily electricity to LBP 2,200,000 per month. The hike in fuel prices worldwide will lead to much higher electricity costs, meaning USD 126 per month will not be enough to cover the cost of electricity, let alone medical bills, transportation bills, telecom bills, housing and education costs, and basic food items.



Other updates:

Preparations are underway for the parliamentary elections in May with political parties preparing their electoral campaigns and strategies. The cabinet allocated LBP 360 billion, or about USD 18 million, to hold a parliamentary election scheduled for May 15, a significant decrease in the budget in comparison to the USD 54 million cost of the last elections held in 2018. The European Union (EU) [announced](#) on February 23, that they will deploy an EU Election Observation Mission in response to the invitation by the Ministry of Interior and Municipalities. With about two months left for implementation, the cabinet has yet to decide on how the elections will be implemented, with the proposed creation of “mega centers”¹⁵ awaiting a decision in March. Although the creation of mega centers is important given the high cost of transportation, critics argue that logistical concerns over planning and opening mega centers could open the door for potential postponement. The electoral campaigns are expected to intensify in March and April, when the full lists of candidates should be formed and submitted.

Negotiations over electoral alliances are ongoing but some have already taken shape. The Lebanese Forces and the Progressive Socialist Party already announced their alliance, which aims to overturn the pro-Hezbollah majority in the parliament. Hezbollah will announce its candidates in March, and the party is expected to ally with Amal and the Free Patriotic Movement. Civil society groups are hoping to make an impact in the first elections since the October 2019 revolution with ongoing negotiations focused on unifying lists to oppose traditional political parties in areas across all of Lebanon.

Harsh winter conditions and widespread inability to afford heating costs resulted in negative coping mechanisms such as illegal logging. Harsh winter storms in January 2022 impacted most areas in Lebanon, in particular mountainous areas and the Bekaa valley. The high cost of diesel left many looking for alternatives to keep themselves and their families warm. [L'Orient Today](#) reported on illegal logging in Akkar's Aoudine valley around Qoubaiyat, showcasing the negative coping mechanisms to which people resort. Akkar's Aoudine valley was also subject to heavy wildfires last year, with residents in the area reporting an increase in illegal logging activities in comparison to previous years.

¹⁵ Mega centers are organized in large urban areas with ballots for all 15 districts, allowing voters to cast their votes near their homes, rather than having to return to their families' historic villages where they were registered.

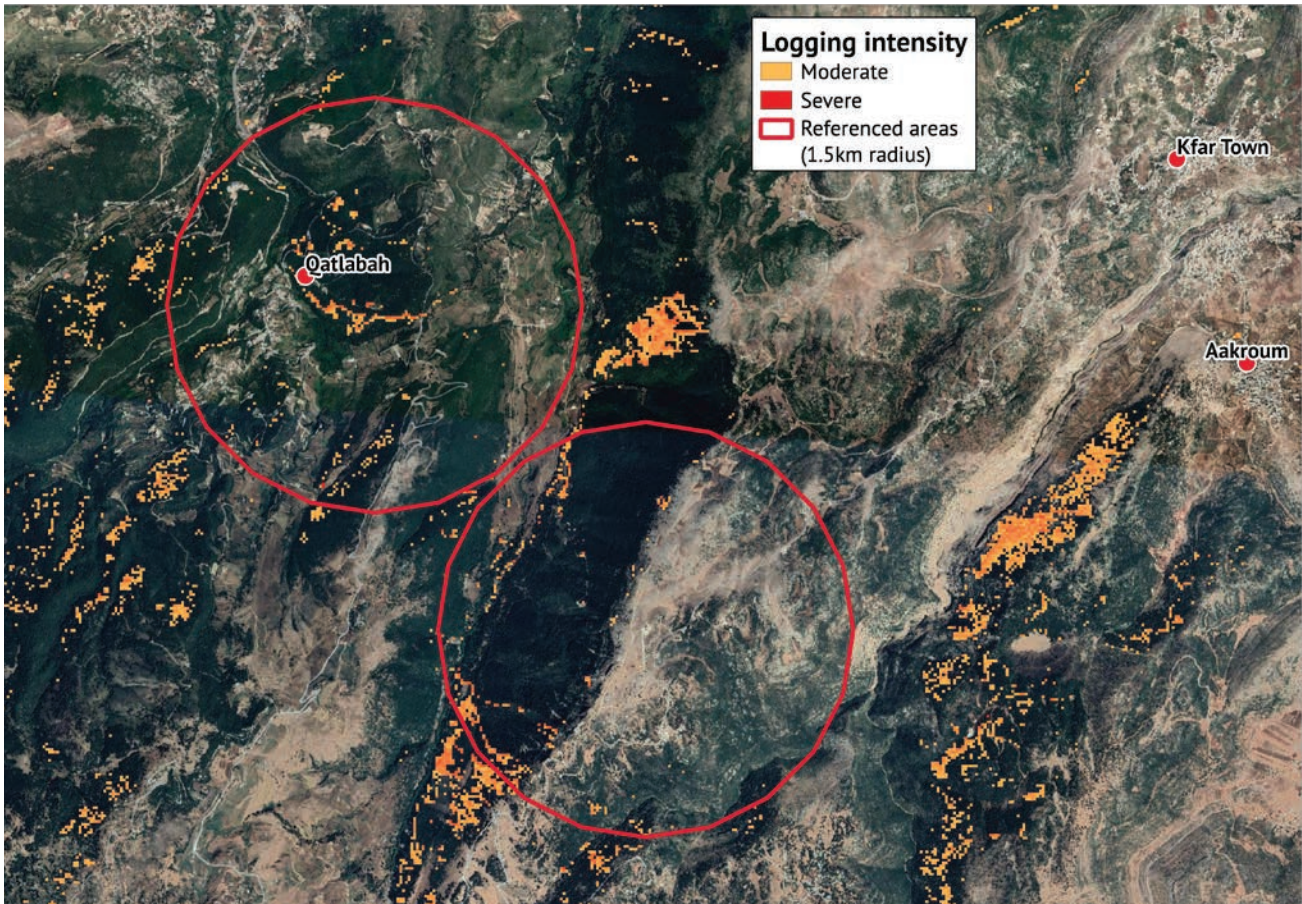
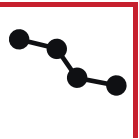


Figure 6: Areas where informal logging has occurred during winter 2022 near Qoubaiyat with lighter and darker colors indicating those facing respectively less and more intensive informal logging. The red circles are a 1.5km radius around the locations referenced in the previously cited [L'Orient Today article](#).

LCAT estimated the extent of informal logging during winter 2022 in the areas referenced in the L'Orient article. The results are shown in Figure 6. According to satellite imagery analysis¹⁶, about 27 hectares are being informally harvested within a 1.5km radius around two locations in Akkar, approximately 2% of the land area around the locations. Additionally, there are significant swaths of informal logging in surrounding areas.

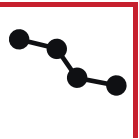
¹⁶ The extent of informal logging is estimated using satellite imagery from February 2019 and February 2022, and August 2019 and August 2021. Specifically, the differenced normalized burn ratio (dNBR) is used to estimate the loss in tree cover. The dNBR is an index that highlights burnt forest areas but has been used to measure the extent of logging in previous research. Major wildfires burned around Qoubaiyat in July 2021. Therefore, the dNBR was calculated between August 2019 and August 2021 to identify tree cover lost to forest fires. The dNBR between February 2019 and February 2022 was also calculated to measure the additional tree cover lost to logging this winter. Informal logging was identified in areas with moderate-to-high dNBR in February 2022 but not in August 2021.



Looking Forward

- The war in Ukraine is expected to have a severe and immediate impact on Lebanon. Dependence on Black Sea grain imports and the absence of a strategic grain reserve – in addition to higher prices for a range of grains more generally – could pose supply challenges within the coming months. Oil price increases will likely have a larger impact, especially if they continue to rise and are sustained in the medium term. All aspects of Lebanon’s economy will be negatively affected by these rises at a time when the Lebanese government is almost completely devoid of tools to mitigate their impact. This in turn will exacerbate the situation of Lebanon’s most vulnerable, with the cost of essential goods such as food and fuel disproportionately affecting the countries’ poorest.¹⁷
- Fuel price increases are projected to increase in the next four weeks, in line with higher international prices. Anticipation of major price increases will prompt hoarding from fuel vendors and possibly panic among consumers, potentially leading to shortages and a lively black market trade, similar to that experienced in summer 2021. Aside from the obvious impact this has on Lebanon’s most vulnerable, this will raise operational challenges for humanitarian organizations seeking to access and respond to those in need.
- Higher import bills will have a macro-economic impact, potentially triggering further depreciation of the LBP, in turn multiplying the impact of price increases on Lebanese consumers. The Central Bank’s ability to continue injecting USD through the Sayrafa platform via Circular 161 is uncertain. If the Central Bank continues on this trajectory, FX reserves will be left severely depleted. Renewed depreciation and volatility could be experienced in the coming weeks.

¹⁷ LCAT will be conducting an in-depth report on the implications of the crisis in Ukraine on Lebanon, and continuously monitoring the wheat and fuel prices and its impact on vulnerabilities in the coming monthly contextual reports.

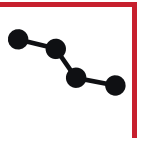


- The conflict in Ukraine will put significant pressure on global humanitarian and development assistance budgets, as many countries scale up support for Ukraine in the context of a major conflict and associated refugee crisis. This will likely lead to a decrease in assistance available to ongoing emergencies such as Lebanon, just as needs are increasing due to the impact of the ongoing crisis combined with significantly increased global commodity prices. Within this context, humanitarian and development actors in Lebanon will need to address higher needs with less, placing a greater emphasis on more efficient delivery systems and targeting.
- Services such as electricity, internet, and phone lines, which are already inconsistent and expected to rise, will deteriorate in the coming weeks largely due to fuel price increases and will be felt most keenly in rural and less developed regions. Social protection cash programs slated to be rolled out in the coming months will likely meet a fraction of expected needs, and there will be an increasing dependence on humanitarian organizations from much of the population. These costs also impact humanitarian operations in Lebanon, specifically in terms of planning and budgeting for operation costs.¹⁸
- Despite agreeing on a budget for the elections scheduled for May 15, logistical and political decisions around the implementation of the “megacenters” might lead to its postponement. The parliamentary elections will play a significant role in 2022 and have an impact on humanitarian program implementation.¹⁹
- The first round of talks with the IMF concluded on a rather negative note. Lebanon’s complex political environment and endemic corruption remain a key barrier to implementing reforms, which will prove to be costly in terms of reaching a timely an agreement with the IMF, unless the IMF decides to compromise on its requests. Though Lebanese officials could move forward with their plan to divide up financial sector losses without approval from ABL, the latter’s rejection of the plan suggests negotiations with the IMF will take considerably more time. In the context of rising humanitarian need and a possible corresponding increase in social tensions and security issues, Lebanese authorities will possibly seek to leverage a deteriorating situation for international donor assistance currently withheld in an effort to encourage meaningful reforms.
- Given the dire economic conditions and high cost of fuel, people resorting to negative coping mechanisms such as illegal tree logging will continue, especially in more vulnerable areas in Lebanon. These activities should be noted by humanitarian actors as an increasing indication of increasing needs throughout much of the country.²⁰

¹⁸ LCAT will continue to study the correlation between the concentration of ESSN/ration card applications and household characteristics assessed in the 2021 MSNA to better assess the impact this mechanism will have on meeting needs.

¹⁹ LCAT will engage with aid actors and humanitarian organizations as part of its Election Scenario Analysis and contingency plans regarding the elections.

²⁰ LCAT will conduct further research on deforestation in Lebanon mapping out informal wood value chain and local producer incentives to inform effective programmatic solutions capable of preventing more extensive informal logging in the region and increasing sustainable forest management solutions.



Contact

Alex Harper

Team Lead: Crisis Analytics | Lebanon
lb-lcat@mercy Corps.org



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