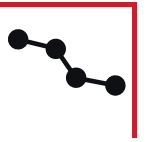


# Lebanon Crisis Update

January 2022 ■ ■



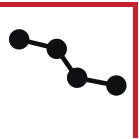
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The Monthly Lebanon Crisis Update provides an overview of economic and political developments to alert the international aid response to new and emerging challenges that could impact the humanitarian situation in Lebanon. In the context of the multiple 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.*



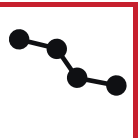
# Key Findings:

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- In an unexpected [development](#), the Central Bank intervened in the currency market to stabilize the Lebanese Pound (LBP), which recovered from a low of LBP 33,000 to one US dollar (USD) on January 11, to about LBP 20,000 by the end of the month. The improvement came at a [cost](#), with the Central Bank pumping hundreds of millions of USD into the market over the course of January, calling into question the sustainability of the intervention and whether its short-term gains will have damaging long-term negative repercussions.
- LBP depreciation through January 11 had an immediate, negative pass-through effect on the price of basic commodities and services. While there have been reported reductions in market prices since the LBP's appreciation against the USD, initial impressions are that the change in LBP value is not having the same corresponding immediate positive [impact on prices](#) overall.
- In January, initial findings of the multi-sectoral needs assessment (MSNA) led by REACH were released alongside raw data. The data illustrates the destructive impact that the crisis is having on the Lebanese population, in addition to Palestinian refugees and migrants.
- [The 2022 budget](#) was completed by the Ministry of Finance, part of which was approved by the Cabinet on January 25. Of note is an increase in transportation allowances for public sector workers, in many cases doubling or tripling the basic salary, as well as support to contract teachers. Nonetheless, even with the introduction of a transportation allowance, most public sector salaries are insufficient to cover the basic needs of a family. This comes as the prices of services such as phone credit and electricity are expected to rise.
- Lebanese, Syrian, and Jordanian [officials signed documents](#) on January 26 to consolidate a deal according to which Jordan will supply electricity to Lebanon by way of Syria. However, significant hurdles remain before the deal can be finalized. Some Republican members of the US Congress are criticizing the deal, arguing that it undermines provisions of the Caesar Act.
- Kuwait's Foreign Minister [visited Lebanon](#) on January 22, making him the first senior official from a Gulf country to visit Lebanon since a diplomatic row began in October 2021. The visit marks a possible step towards rehabilitated relations with Gulf countries, which in turn could have positive economic consequences.
- Established and new political parties kicked off their campaigns ahead of parliamentary elections in May. Saad Hariri [announced](#) that he is suspending his participation in Lebanese politics and will not take part in the upcoming election. This calls into question who, if anyone, will lead the Future Movement and what political role his brother, Bahaa, will play in mobilizing the Sunni electorate.
- Strong winter [storms hit Lebanon](#) in January, seeing temperatures dive below freezing at higher elevations, leaving much of the country blanketed in snow. Vulnerable populations unable to afford adequate shelter, fuel, and other forms of heating were most affected. Demand for heating fuel placed pressure on market supply and diesel prices, resulting in a black-market premium, at times 20% above set market prices. There were also reports of increased levels of tree felling for firewood, including in protected zones.

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<sup>1</sup> The SMEB for Syrian refugees was 4552,634LBP for November, 2021



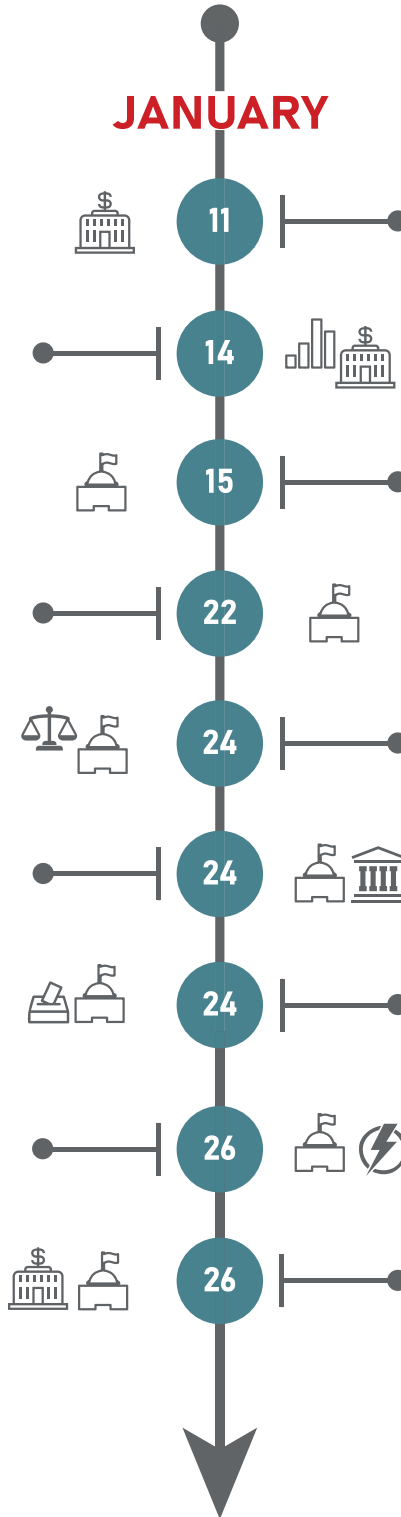
## JANUARY

On January 14, 2022, the Central Bank announced an additional amendment to Circular 161, removing quotas altogether, meaning banks can access any amount of USD through the Sayrafa platform.

On January 22, 2022, Kuwait's foreign minister visited Lebanon, making him the first senior official from a Gulf country to visit Lebanon since October 2021.

On January 24, 2022, Lebanon began long-anticipated talks with the IMF in an effort to receive a bailout.

On January 26, 2022, Lebanese, Syrian, and Jordanian officials signed a deal according to which Jordan will supply electricity to Lebanon by way of Syria.



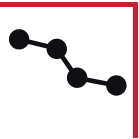
On January 11, 2022, the Central Bank amended Circular 161, adding a clause stipulating that Lebanese banks are entitled to an increased quota of LBP deposits withdrawable in USD at the Sayrafa rate.

On January 15, 2022, Hezbollah and Amal ministers announced that they will return to Cabinet meetings.

On January 24, 2022, Prime Minister Najib Mikati's Cabinet convened for the first time since October 12, 2021, following Hezbollah and Amal ministers' boycott to pressure the removal of Judge Bitar as lead investigator in the Beirut blast probe.

On January 24, 2022, former Prime Minister and Head of the Future Movement Saad al-Hariri announced that he is stepping back from politics and will not participate in parliamentary elections.

On January 26, 2022, the Central Bank announced the extension of Circular 161 for an additional month, meaning it will remain in effect through the end of February.



# “ Economic and humanitarian updates:

Following a sharp depreciation that began in mid-December, the Lebanese Pound (LBP) rebounded in mid-January. During the first half of January, the LBP continued depreciating against the US dollar (USD) on the parallel market, reaching an all-time low of LBP 33,000 to USD 1 on January 11, down from LBP 27,500 on December 31, 2021 (see figure 1). The LBP’s depreciation was largely seen as the result of the Central Bank’s issuance of Circular 601 in December 2021, which increased the rate at which depositors can withdraw LBP from dollar-denominated accounts in Lebanese commercial banks from LBP 3,900 to LBP 8,000.

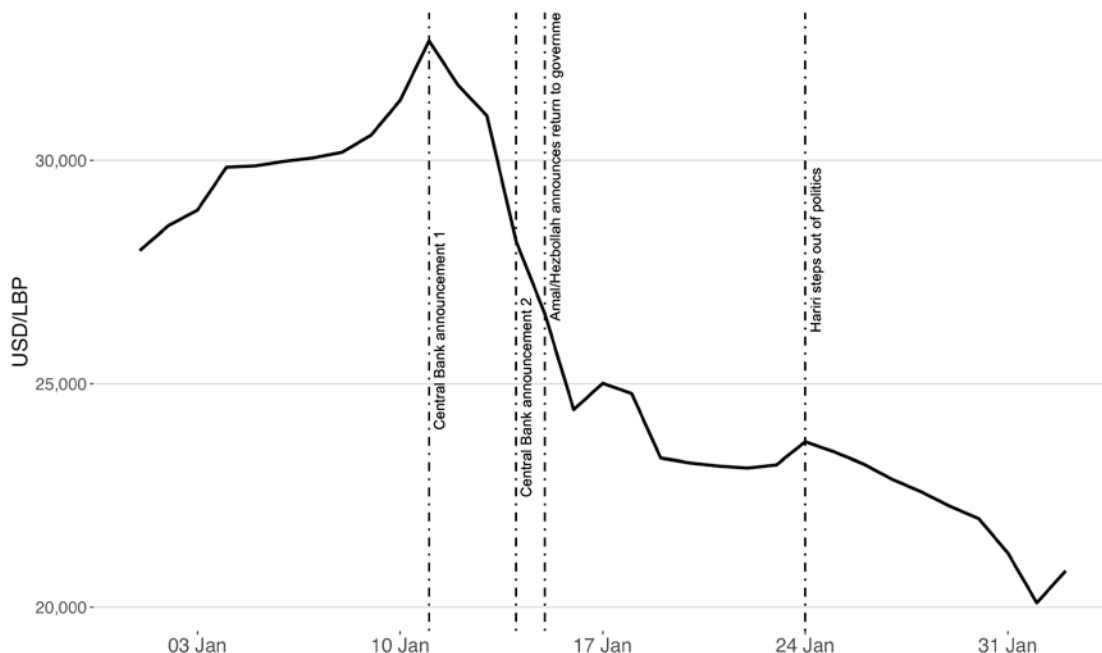


Figure 1: Events that impacted the USD/LBP parallel-market rate in January

The Central Bank sought to mitigate the depreciation through issuing Circular 161 on December 15, which grants banks the right to purchase dollars through the Sayrafa platform<sup>1</sup> and provides clients with dollars instead of LBP at the Sayrafa rate (see November-December Crisis Update). However, this intervention initially failed to curb further inflation due to specified dollar withdrawal quotas for commercial banks, as well as some initial confusion caused by a lack of clarity between the Central Bank and commercial banks on its implementation. While Circular 161’s term originally ran through the end of December 2021, it was extended on December 24 until the end of January 2022. Then, on January 26, it was again extended through the end of February.

<sup>1</sup> In mid-June 2020, BDL launched its first version of the Sayrafa platform, intended for accredited money changers and extended to banks, organizations and enterprises later, with the aim of lowering the exchange rate by injecting dollars directly into the market.



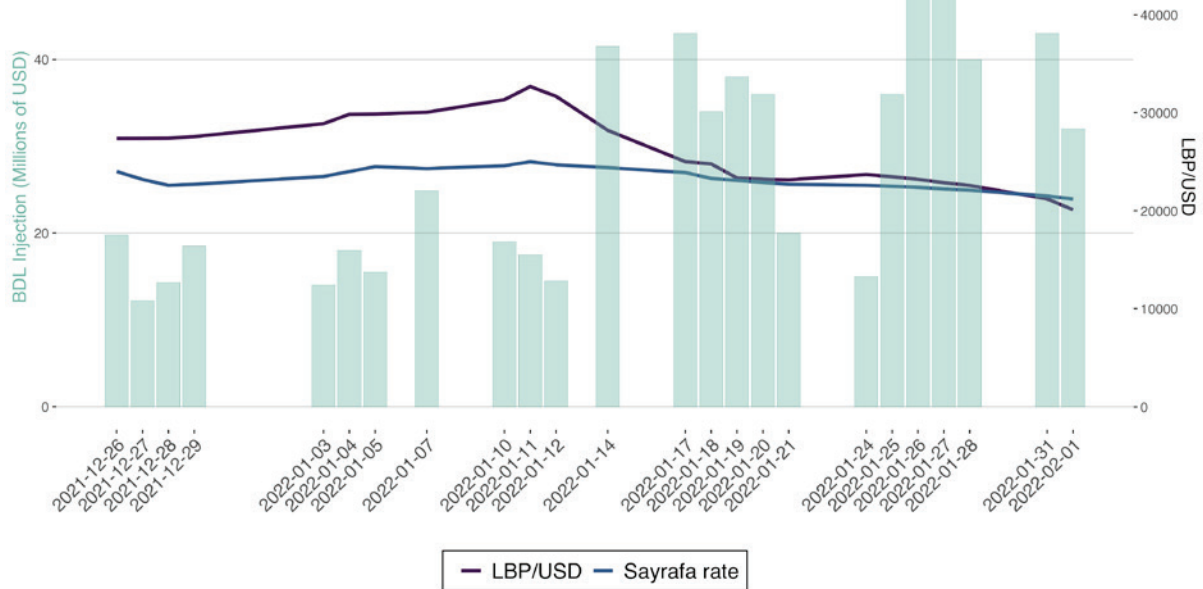
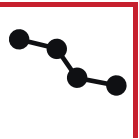


Figure 2: The alignment of the Central Bank Sayrafa rate and the parallel market rate in January, following the Central Bank interventions, and the amount of LBP being injected into the market.

Further depreciation in January triggered two additional actions by the Central Bank. 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. As shown in figure 1 above, this, likely in combination with political events such as the [return](#) of Hezbollah and Amal ministers to Cabinet meetings on January 15, led to an immediate improvement in the value of the LBP on parallel markets. The LBP appreciated to LBP 24,000 for USD 1 on January 16, then gradually to LBP 20,400 by January 31 (see figure 1). The implementation of Circular 161, increased usage of Sayrafa, and the injection of dollars<sup>2</sup> narrowed the gap between the Sayrafa rate and parallel market rate (see figure 2). The improvement has had a mixed immediate impact on prices. From December 28 to February 2, the LBP/USD exchange rate decreased by 24%, but the LBP price of fuel increased by 5%, while the price of gas decreased by 13% and diesel decreased by 9% (see figure 3). In a report conducted by MTV Lebanon, President of the Consumer Protection Directorate in the Ministry of Finance Zouhair Berro announced that the prices of essential goods, house appliances, transportation, and telecoms decreased only 5% to 16% during January 2022.

<sup>2</sup> Previously, an average of USD 1.5 million per day was previously recorded on the Sayrafa platform between late July and early October. The subsequent inclusion of banks and money transfer companies (most notably OMT) pushed the average to more than USD 5.4 million. Then, during the month of January, the Central Bank injected USD 604.9 million, averaging around USD 19.5 million per day which affected the parallel market rate.

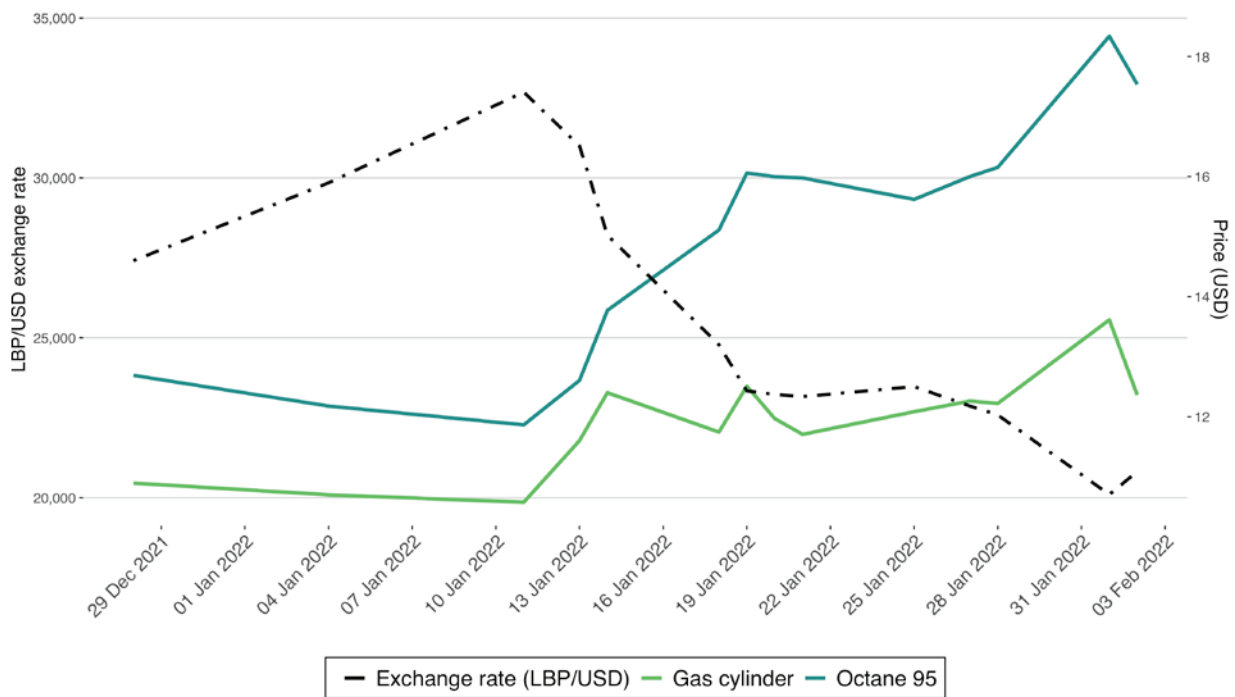
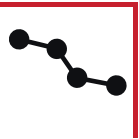


Figure 3: Fuel Prices vs Parallel-market rate.

**On January 24, the Cabinet approved changes to transportation allowances for both the private and public sector, stipulating a much needed increase in take-home LBP, but this increase will still leave workers struggling to cover basic needs.** The Cabinet approved an increase in transportation allowances of LBP 65,000 and LBP 64,000 per day for private sector and public sector employees. The Cabinet also agreed on a LBP 1,200,000 monthly compensation for soldiers and security forces members. Public school workers have been on strike since the end of 2021 over inadequate wages. The Cabinet also approved the doubling of wages for hourly contractors working in public schools and vocational institutes, and after negotiations, workers announced they will return to work in the beginning of February.



# Analysis/Impact:

## Economic and humanitarian updates

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The overall impact of the LBP appreciation is positive. For the time being, it halts price inflation of basic commodities and should lead to price reductions in the coming weeks, the extent of which is unclear. Aside from a reduction in prices, the relative alignment of the Sayrafa and parallel market rates is a sign of early and partial progress towards a potential unification of exchange rates, which is a key IMF benchmark for approving an assistance package. As previously noted, some prices have decreased in the market as a result of the currency appreciation. However, in the short term, it is unlikely they will decrease in line with LBP appreciation as quickly as they increased with depreciation before January 11. Prices should continue to decrease should Central Bank policies prove able to sustain the stronger LBP in the medium term.

Serious concerns remain over the sustainability of the latest Central Bank interventions, with Lebanese economists claiming that the LBP rebound will be short-lived and unsustainable. The sharpest criticism highlights the depletion of national foreign exchange (FX) reserves in the absence of major structural changes, ultimately entailing a longer and more painful recovery. There is evidence that the Central Bank dipped into its FX reserves to fund the correction, with Central Bank balance sheets indicating a USD 115 million drop in the first half of January alone and a further USD 394 million in the last two weeks of the month, leaving Lebanon with an estimated total of USD 11.2 billion of FX reserves, including USD 1.1 billion in Special Drawing Rights.<sup>3</sup>

The dramatic appreciation caused by the Central Bank intervention appears to have also incentivized private USD holders to trade dollars in the currency market, significantly increasing demand for LBP in the process. According to interviews conducted by LCAT, parallel-market traders are selling dollars to OMT and other exchange companies, who in turn sell to the Central Bank, which then provides USD to banks through the Sayrafa rate. This has tapped into the likely huge but hard to estimate amount of dollars held by the broader population in cash - most Lebanese residents throughout 2020/2021 protected themselves against consistent depreciation by holding USD, rather than LBP.

Circular 161 and its subsequent amendments initially proved beneficial to public sector workers, as they could withdraw USD from lira-denominated accounts and then exchange at the weaker LBP rate on the parallel market. However, once the parallel rate dipped below the Sayrafa rate, public sector workers were subject to an effective «haircut» when exchanging USD for LBP. The Central Bank will likely seek to mitigate this in the coming weeks by managing LBP appreciation to remain in line with the Sayrafa rate.

The increase in transport allowances is a welcome relief to thousands of families. However, the support will only go so far. 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.

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<sup>3</sup> On August 23, 2021 the IMF announced the largest allocation of Special Drawing Rights (SDRs) in history, about USD 650 billion, of which Lebanon received approximately USD 860 million. With reportedly USD 200-300 million worth of SDR's unused from the 2009 allocation, Lebanon has access to over USD 1 billion. Special Drawing Rights are an accounting unit for IMF transactions based on a basket of the world's five leading currencies (the U.S. dollar, euro, yuan, yen and the UK pound).





With the addition of the transportation allowance of LBP 65,000 per day, a worker in the public sector<sup>4</sup> that makes about a LBP 1,220,000 basic monthly salary (25% of public employees earn this or under) will now make LBP 2,520,000, which will still put them about 52% under the SMEB total cost. Therefore, unless there is a swift lowering of prices following LBP appreciation - the prospect of which is currently unclear - the average public sector worker will continue to depend on other sources of support, be they remittances, aid handouts, or expected social protection frameworks such as the Emergency Social Safety Net or ration card, to meet their basic needs. Many will continue to rely upon debt in particular. As can be seen in figure 4, a huge percentage of households reported that living expenses were a source of debt in the recently released REACH led MSNA, notably in Baalbeck, Al-Hermel, Akkar and Nabatiye.

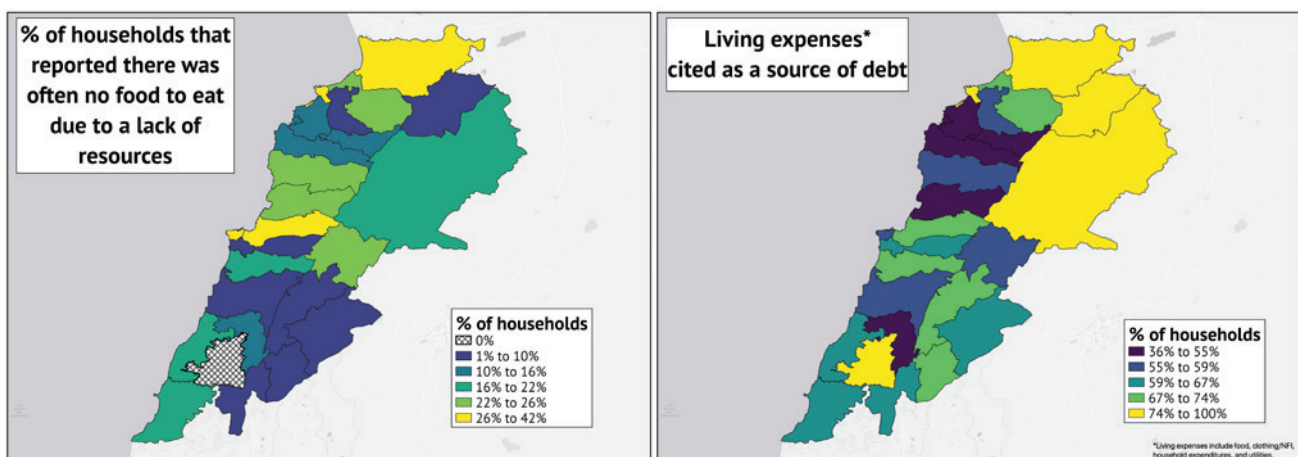


Figure 4 and 5: MSNA data on % of households that reported there was often no food to eat due to lack of resources households that indicated that living expenses cited as a source of debt. Source: MSNA

<sup>4</sup> According to an LBCI report, the public sector in Lebanon employs 300,000 people, %25 of which are paid less than LBP 1,220,000 per month, %50 are paid less than LBP 2,140,000 per month and %75 of the employees are paid less than LBP 5,790,000 per month.

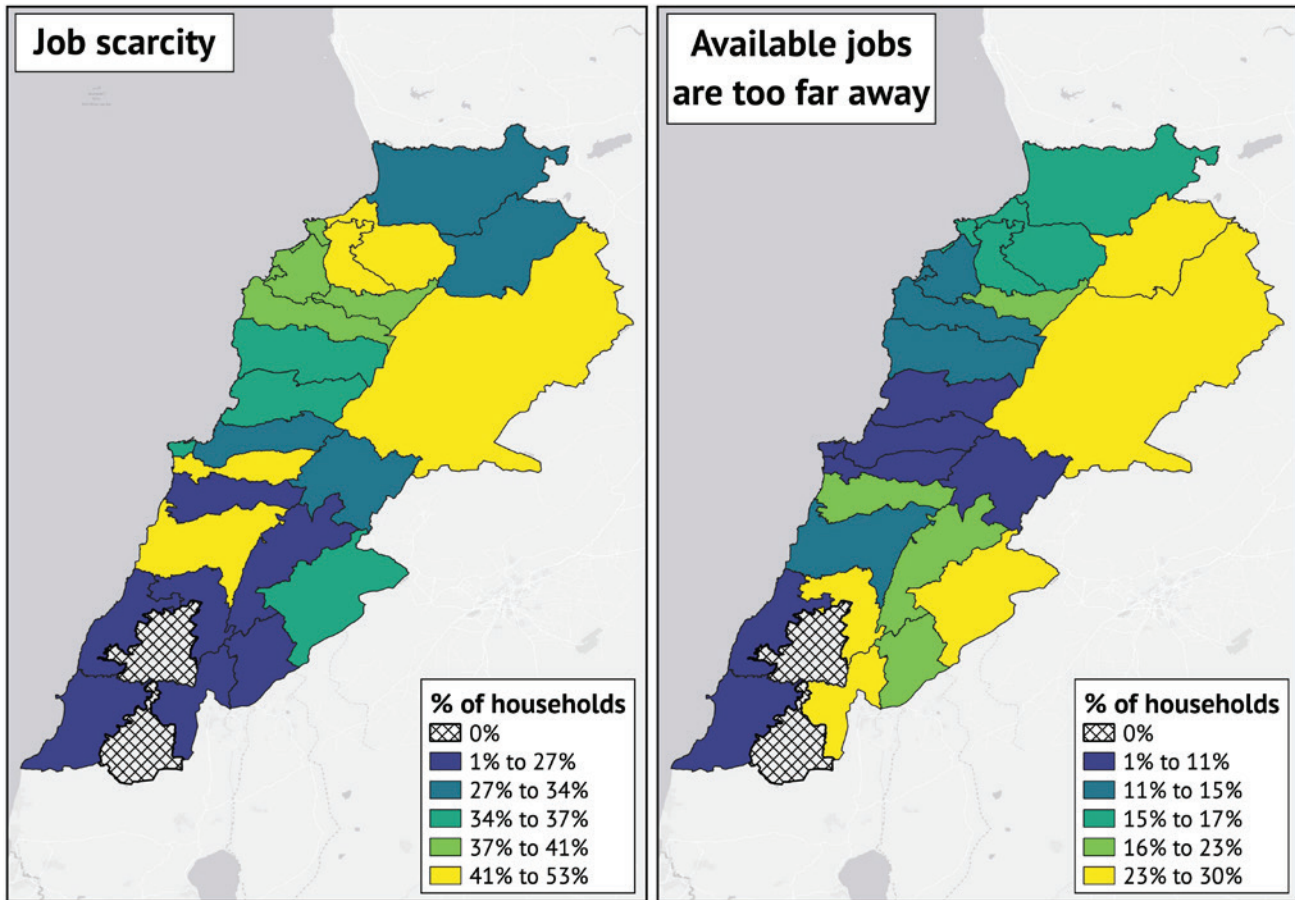
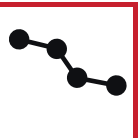


Figure 6: MSNA data on % of households that indicated that they experience job scarcity and that jobs are too far away  
Source: MSNA

As can be seen in figure 6, securing affordable transportation is a major challenge for a large portion of the Lebanese workforce. According to the REACH-led MSNA, 23% to 30% of households in Baalbek, Hermel, Marjaayoun, and Jezzine reported that available jobs are located too far away. However, it should be noted that the transportation allowances approved by the Cabinet in January are for workers with a formal contract, meaning many will not be able to collect the allowance on top of their salary.<sup>5</sup>

<sup>5</sup> Access to formal contracts is unavailable to many, with formal contracts likely representing the minority of workers. This changes sector to sector, with agriculture estimated to be over 90% informal. The public sector accounted for about 15% of employment pre-crisis. A 2021 [ILO report](#) looking at Lebanon's most vulnerable 251 cadastres cited only 22.2% employed in the formal sector.





## “Political updates:

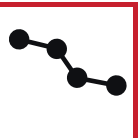
**Prime Minister Najib Mikati’s Cabinet convened on January 24 for the first time since October 2021.** Mikati’s government met three times before the boycott, which was precipitated by a disagreement among ministers over adopting an official stance on lead investigator of the Beirut blast, Judge Tarek Bitar. Hezbollah and their political allies claim Bitar “politicized” the port investigation by ordering the questioning of Hezbollah-allied politicians. On January 15, Amal and Hezbollah announced their ministers would return to Cabinet meetings to discuss the 2022 budget and “to discuss everything related to improving the living conditions of the Lebanese”.<sup>6</sup>

**One of the most important items on the Cabinet’s agenda is the discussion and approval of the 2022 budget.** The draft budget released by the Ministry of Finance on January 21 forecasts a deficit of LBP 10.26 trillion, revenues of LBP 39.15 trillion, and expenditures totalling LBP 49.42 trillion. Revenues forecasted for 2022 are nearly triple those of 2021, while expenditures increased 2.5 times and the deficit doubled. To attract foreign capital, the draft includes incentives for foreign currency depositors, namely, exempting them from taxes for five years, while institutions will be mandated to pay salaries through banks. The budget grants the finance minister unilateral power to modify income tax rates, a process which is usually subject to a majority vote in the Parliament based on the LBP’s exchange rate. The budget also contains a proposal to waive custom taxes and VAT on solar energy equipment. Conflicting exchange rates are used in the proposed budget: the LBP 1,500 rate is used to calculate bank dues to depositors, whereas the LBP 15,000-20,000 rate is used to calculate tariffs and fees.

**Lebanon’s government began long-anticipated talks with the IMF on January 24 over a range of prospective reforms.** Talks reportedly focus on several issues, such as restoring macroeconomic stability, banking sector restructuring, and forming a consensus on how to distribute banking losses, as well as implementing a sustainable fiscal strategy. Reuters recently reported that depositors would take on half the losses under a distribution plan which would in theory prioritize protecting small depositors. However, many questions and obstacles remain before prospective implementation.<sup>7</sup>

<sup>6</sup> The decision of Hezbollah and Amal to return to the government revolves around the importance of the budget and the need for them to take part in decisions related to the Parliamentary elections in May 2022. Hezbollah and Amal also know that in order to rally support for their electoral campaigns, they can not be sitting outside the government.

<sup>7</sup> The IMF has requested a Parliament-approved capital control law, unified exchange rates, a national budget, a thorough restructuring of public debt, and reforms of the central bank, private banking sector, and electricity sector as part of the requirement for the bailout



**Lebanese, Syrian, and Jordanian officials signed a deal on January 26, according to which Jordan will supply electricity to Lebanon by way of Syria, but significant hurdles remain before the deal can be finalized.** Once implemented, the deal would supply Lebanon with an additional two to three hours of public electricity via a USD 250 million loan from the World Bank. The regional director of the World Bank stated that the loan is subject to specific reforms in the energy sector, which Lebanon has not implemented.<sup>8</sup> Logistically, the plan entails gas shipments via pipelines from Egypt to Jordan to Syria, and then from Syria to Lebanon through infrastructure that requires maintenance. The US Ambassador Dorothy Shea provided Mikati with a US Treasury Department letter on January 14, which addresses concerns over potentially violating the Caesar Act.<sup>9</sup> Of note, members of the US Congress are critical of the Biden Administration's policy regarding the electricity deal, arguing that it undermines the principles of the Caesar Act.

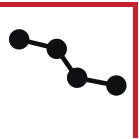
**Kuwaiti Foreign Minister Ahmed Nasser Al-Mohammad Al-Sabah visited Lebanon on January 22, making him the first senior official from a Gulf country to visit Lebanon since October 2021.** The rift with the Gulf has been exacerbated by a number of factors, such as increased drug export interdictions from Lebanon, comments by the former Minister of Information George Kordahi critical of the Saudi-led Coalition involvement in Yemen, and Hezbollah's activities in the region more broadly. Al-Sabah's visit comes in the wake of positive momentum towards a rehabilitation of ties following the resignation of Kordahi in December. In addition to expressing solidarity with Lebanon, Al-Sabah emphasized the need for reform in Lebanon to address the economic crisis. The rift with the Gulf has economic implications for Lebanon, given that Lebanese goods are cut off from some of their best external markets. Any further deterioration of ties could also be detrimental to the hundreds of thousands of Lebanese working in Gulf states - particularly if they tighten visa regimes - as well as thousands of people living in Lebanon, who are dependent on remittances to survive.

**Former Prime Minister and Head of the Future Movement Saad al-Hariri announced on January 24 that he is stepping back from politics and will not participate in parliamentary elections.** Hariri based his decision on several factors, including Iranian Influence in Lebanon.<sup>10</sup> Hariri's announcement that he will step back from politics and boycott the upcoming elections has left many Future Movement members in limbo and the party's leadership in question. Hariri urged members of the Future Movement to follow his lead in boycotting the elections, in full recognition that his party leads one of the largest blocks, comprising 20 members of Parliament. On January 28, Sunni Grand Mufti Abdel-Latif Derian met with Prime Minister Mikati and announced that there would be no Sunni boycott of the elections. On the same day, Saad al-Hariri's older brother Bahaa al-Hariri announced that he will participate in upcoming elections. Bahaa, who lives in France and whose net worth is about USD 2 billion according to Forbes, said that he wants to continue the journey of his father and that he will "take back the country". This announcement comes after billboards were installed across Lebanon for his newly established "Sawa Li Lobnan" party - which translates to "Together for Lebanon" - signaling that he has ruled out succeeding his brother and late father in leading the Future Movement.

<sup>8</sup> This reportedly includes a change in the tariff structure, a financial audit of EDL, and generally the reduction of losses in the electricity sector.

<sup>9</sup> The Caesar Syria Civilian Protection Act of 2019, enacted in 2019 by the United States that sanctions the Syrian regime and its allies including businesses, institutions and individuals in relation to crimes committed during the Syrian war.

<sup>10</sup> The former prime minister of Lebanon has been the leader of the Future Movement for more than 15 years. Saad is the son of Rafic al-Hariri, a billionaire business tycoon and previous Prime Minister of Lebanon, who was assassinated in 2005. Soon after, Saad took over his father's leadership of Future Movement, a party that has dominated Lebanon's Sunni political landscape since the end of the civil war in 1990.



# Analysis/Impact:

## Political updates

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The resumption of Cabinet meetings after three months of relative deadlock is a positive step towards state action to tackle the fallout of the economic crisis. Given that elections are scheduled for May, the current government and political parties will try to be supportive of interventions that benefit their constituents. The decision to increase transportation fees was driven by a major increase in fuel prices resulting from a lifting of subsidies in late 2021. However, this measure will prove insufficient if prices do not fall in line with LBP appreciation, the currency depreciates again, or global oil prices rise.

The 2022 budget formulation is an important step - particularly regarding IMF negotiations - as well as the country's efforts to reduce deficits, yet the finalization of the budget and its ratification will remain subject to a parliamentary vote. This leaves open the possibility that the budget will be sent back to the Cabinet for revision before final approval, which might take longer than anticipated should disagreements arise. The proposed tariff increases in the budget will also have an impact on the price of basic goods and services, offsetting benefits stemming from an LBP stabilization and measures such as increased transportation allowances.

Successful IMF negotiations continue to be Lebanon's best hope of a financial rescue package to support restructuring public debt and lift Lebanon out of its economic crisis. Although Lebanon has been taking positive steps toward securing a deal, the IMF has asked for reforms that as of yet have not been implemented, and knowing that a formation of new government will be needed after the parliamentary elections scheduled for May 15, 2022, the process might take longer than many hope. The last round of negotiations with the IMF were stalled over who would carry the burden of losses, over which there is a continuing lack of clarity.<sup>11</sup>

Électricité du Liban (EDL) is providing from four to six hours of state electricity across much of Lebanon, and the deal between Jordan, Lebanon, Syria, and Egypt would increase electricity provision by about two more hours. This is an improvement, but by no means a solution to the crisis facing the electricity sector, particularly as the population remains dependent on private generator service, if they can afford it. The provision of five amperes - enough for household basics but not air conditioning - often costs more than the salary of the average public sector worker, putting private electricity provision out of reach for most. Fees are unregulated and vary from area to area. Hikes in public electricity bills as part of any electricity reform package will also see further stress placed on households.<sup>12</sup>

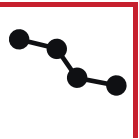
Hariri's boycott means the Future Movement will not contest 20 seats in the upcoming election, specifically in the Beirut 2 district, Tripoli, and Akkar. Some analysts suggest that Hariri's move could lead to elections being postponed. However, the Sunni mufti's announcement was also followed by an announcement by Progressive Socialist Party leader Walid Jumblatt that he will not boycott the elections. If elections go ahead, this could be an opportunity for other wealthy Sunni leaders, especially those who are close to Hezbollah, such as Mikati's Azm party in Tripoli and Akkar, to gain seats.

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<sup>11</sup> A plan viewed by [Reuters](#) apparently sees depositors allocated half of banking sector losses.

<sup>12</sup> EDL currently collects from electricity charges a fraction of its running costs.





## Other updates:

**One of the strongest winter storms to affect the Middle East in years swept across Lebanon, impacting vital infrastructure.** During the third week of January, a storm hit Lebanon and multiple neighboring countries. It intensified in the fourth week of January, with snow falling at an altitude of 500 meters above sea level. All roads above 1,000 meters were completely closed, as night road travel along mountain roads covered with ice was particularly hazardous. The storm had a major impact on multiple areas in Lebanon, in particular Zahle, Tyre, Nabatiye, Bint Jbeil, and Jezzine, where electricity infrastructure was damaged. Municipal workers, security forces, and civil defense members were mobilized to clear roads and offer aid to trapped motorists. Though the storm could have positive effects for agriculture and tourism, specifically skiing, it left people in Lebanon struggling to stay warm. According to a [UNDP/UNHCR](#) rapid needs assessment on the impact of the storm on refugees in Lebanon, 433 informal settlements were negatively affected. Electricity cuts and difficulty in acquiring heating fuel severely impacted the most vulnerable. Refugee Camps in Akkar were flooded and camps in Bekaa were covered with snow, forcing refugees to resort to damaging coping mechanisms to stay warm, such as felling tree cover and burning fuel and garbage. Likewise, extra demand for diesel resulted in a black market premium on diesel in the second half of January, resulting in up to a 20% premium on the current regulated market prices.

**Though Lebanon recorded a record-high number of COVID-19 cases in the month of January, the rate of ICU admissions and deaths remained low.** In January, Lebanon recorded more than double the amount of daily cases compared to December, reaching more than 9,000 cases per-day for the first time. This is indicative of the quick spread of the Omicron variant, though its prevalence has not resulted in a greater number of deaths and ICU stays in comparison to last year during the same period, which in part could be the result of higher vaccination rates among the population.<sup>13</sup> The low numbers reduce the likelihood that the government will implement further lockdowns or restrictions above and beyond those currently in place.

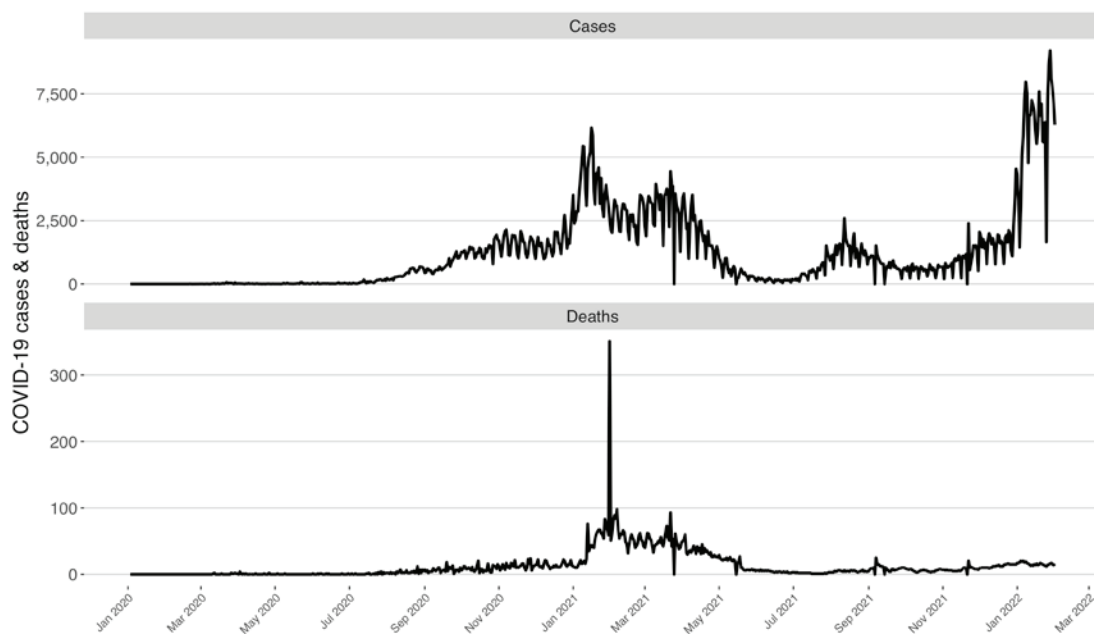
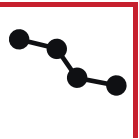


Figure 7: Comparison of COVID-19 cases and deaths between January 2020 to end of January 2022.

<sup>13</sup> 15 people were vaccinated at the start of 2021 in comparison to around 2,258,000 people at the beginning of 2022.



# Looking Forward

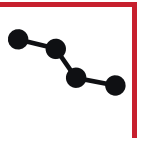
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- Aid actors should be skeptical about whether LBP appreciation is sustainable. Although the LBP's rise against the dollar is a result of shrewd maneuvering by the Central Bank - notably drawing large quantities of "stored" physical USD into currency markets - it is little more than a short-term stabilization strategy, one which is heavily influenced by politics and ultimately dependent on diminishing foreign exchange reserves.
- Moreover, traders usually increase prices faster than they decrease them. In the context of an appreciated LBP, "sticky" prices will likely remain in effect, at least partly due to a distrust in the ability of the Central Bank to maintain the LBP's value. The weight of these changes will continue to be felt by the average consumer, and aid actors should recognize that an appreciated pound does not necessarily equate to increasing consumers' purchasing power.
- Prices of internet and telecom services are expected to rise, with accompanying service failures in parts of the country. In addition to negatively impacting economic activity and affecting poor and vulnerable communities disproportionately, telecoms price increases are a strong trigger point for public anger, as was seen in 2019 when a proposed "WhatsApp tax" triggered major protests. Private sector actors increasingly dependent on online sales and services will also be heavily affected. Tariffs on other basic services, such as state electricity and water, are also likely to increase.
- Despite seemingly positive developments such as LBP appreciation and the decision to increase transportation allowances, many families will struggle to cover basic needs. Those dependent on assistance from family or friends outside Lebanon will see the purchasing power of remittances lose value, compounding the dollar-value cost of living, which increased following the removal of exchange rate subsidies in late 2021.<sup>14</sup>
- Although there is progress towards providing electricity through the regional fuel deal between Lebanon, Syria, Jordan and Egypt, consistent electricity provision will prove too expensive for much of the population. Projected increases in state power tariffs, the high cost of private electricity, and reportedly unequal electricity provision based on political clientelism all contribute to a dearth of affordable electricity access and provision. A detailed understanding of inclusion and exclusion dynamics concerning electricity will continue to be critical to aid actors' accurate understanding of vulnerability in Lebanon.<sup>15</sup>
- The implementation of higher or USD-denominated tariffs on imports, while likely to be necessary for the government to address the budget deficit and deliver services, will increase costs for consumers. Other expected cost increases such as higher telecommunications fees will have a similar effect. Aid agencies should adopt mitigation measures to account for likely disruptions in the communications sector given the huge impact this will have on low-income rural users as well as aid operations. Current restrictions over the use of satellite phones for aid actors further limit available options.
- The May 15 elections will play a significant role in government decisions concerning the budget and broader economic policy, likely to the long-term detriment of the country. While this could result in resources being directed towards specific segments of the population to garner electoral support, it could also result in increased risks of aid diversion and interference, as well as strikes, protests, and road blockages that will directly hinder field access. Election Scenario Analysis and contingency plans to limit the potential impact on and disruption to life-saving programs should be at the forefront of the aid actors' agendas.

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<sup>14</sup> Over the coming months, the LCAT is conducting a study into remittance flows into Lebanon in the context of the current crisis. This is towards better understanding regional and demographic dynamics around the dependence on external remittance flows, how this support is shared within communities, how inflows have shifted and changed over the course of the crisis, and to what extent remittances play a humanitarian role in the current crisis.

<sup>15</sup> The LCAT is currently working on a night light reflectance study trying to understand the loss of access to electricity provision in the context of a loss of supply in 2022-2021 at a cadastre level across Lebanon.



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Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action – helping people triumph over adversity and build stronger communities from within. Now, and for the future.

