

Flash Report

Humanitarian Impact of Telecommunications Price Hikes in Lebanon

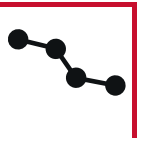
August 2022 ■ ■



Alfa Store

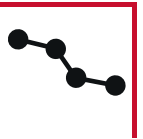
- 3 ● Summary
- 4 ● Context
- 5 ● Humanitarian Impact
- 6 ● Impact on Aid Actors and Programming
- 8 ● Mitigations and recommendations

Credit: Mohamed Azakir/REUTERS



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.

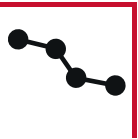


Summary

On July 1, a major telecommunication price hike was implemented in Lebanon, which will have significant ramifications for Lebanon's most vulnerable residents as well as aid programming across the country. The price increase for this essential service, upon which millions of Lebanese residents rely, comes amid an ongoing economic crisis and a lack of corresponding wage increases across many sectors, notably the public sector. The hike is expected to significantly impact the ability of aid beneficiaries to receive assistance-related information on a variety of programs and negatively impact how aid recipients communicate with implementing organizations to provide feedback or access information on programs.

Key Takeaways:

- Aid actors reported a major drop in calls received on accountability hotlines during July, after the price hikes took place.
- The price hike will exacerbate the stress on household budgets already struggling to cope with rampant inflation.
- The phasing out of 2g services will disproportionately affect those unable to afford newer phones, affecting up to 230,000 users.
- The inability of large parts of the resident population to afford basic communication and internet access will continue to pose challenges to aid actors' community outreach activities and case management, notably for those with protection concerns.
- Increased obstacles to reaching out to different institutions' hotlines will have ramifications for beneficiaries seeking to report abuse, corruption and fraud.



“ Context

During its last session before going into caretaker status following national elections, the Lebanese cabinet announced on May 20 that telecommunications fees will be charged at the official flexible Lebanese Pound (LBP) exchange rate (Sayrafa) beginning on June 1. In effect, this drastically hiked phone and internet prices across the country, as the listed prices of phone cards are in US dollars (USD). The LBP price of services provided by Alfa and Touch – Lebanon’s two dominant mobile telecommunications companies – increased over fivefold and the price of Ogero landline services increased by 2.5 times. More specifically, the price of one “large” prepaid monthly recharge phone card increased from LBP 40,000 to more than LBP 220,000 and the price of the smaller prepaid card increased from about LBP 20,000 to about LBP 130,000. As part of a major overhaul, 2g services are also expected to be phased out in favor of expanded 3g and 4g coverage, removing internet access for many of those with older phones.¹

Prior to 2020, telecommunications fees in Lebanon were among the highest in the world.² Telecommunication price increases are considered a sensitive issue, as a previously unsuccessful attempt to increase telecommunications revenue through a tax on “Whatsapp” in 2019 was widely seen as a trigger for widespread protests (although the reasons for public discontent were manifold). As the economic crisis unfolded, telecommunication fees remained denominated in Lebanese Lira (LBP) at the official exchange rate of approximately LBP 1,500 per 1 USD. Fortunately for many Lebanon residents whose purchasing power collapsed throughout the crisis, the cost of mobile phone cards remained relatively cheap despite crippling currency devaluation.

As a result, telecommunications companies, also a source of significant revenue for the state, had their earnings slashed. There were also significant changes in management during this period, with the Ministry of Telecommunications taking over management of both Alfa and Touch in 2020.³ These companies have consistently argued that telecommunications fees need to be raised in order to maintain infrastructure and prevent a total collapse in internet and phone services. Over the last year, telecommunications services have deteriorated amid the prospect of international cable subscriptions being canceled due to non-payment of fees.⁴ There has also been intermittent drops in internet and phone access across parts of the country due to the inability to consistently afford the fuel needed to power transmitter towers.⁵ Since late 2021, Lebanese ministers have indicated that a major price hike could be around the corner. On December 19, Minister of Telecommunications Johnny Corm warned that the sector was at risk as the telecoms duopoly – Touch and Alfa – were unable to pay outstanding service fees. In February, Prime Minister Nijab Mikati announced that the state was no longer able to provide telecom services “for free”.⁶

¹ [No texts, calls or Wi-Fi: Lebanese react to steep increase of telecom tariffs - L'Orient Today](#)

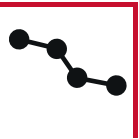
² [‘No money left’: Lebanese telcos close to meltdown as cable thieves thrive | Reuters](#)

³ Having previously been managed by Egypt’s OTMT and the UAE based Zain Group on behalf of the Lebanese state from 2009. A new tender was expected to have been released within three months, although that has yet to occur. The changes also reportedly resulted in many employees leaving the sector due to changes in pay and benefits. [Lebanese government to take back mobile networks ahead of new tender | Reuters](#)

⁴ [Internet woes risk isolating Lebanon in crisis - UPI.com](#)

⁵ [Internet connectivity: The latest in a line of services falling victim to Lebanon’s electricity shortages - L'Orient Today](#)

⁶ [Mikati: We are no longer able to provide services such as electricity and telephone for free - MTV Lebanon](#)



Credit: Philippe Hage Boutros/OLJ

Humanitarian Impact:

While the hike should, to an extent, mitigate the threat of a major service collapse in the sector, it will continue to exacerbate the stress on household budgets due to rampant inflation, driven in large part by the collapse of the currency and increasing global commodity prices. It remains unclear whether recent service deterioration seen in rural and highly vulnerable areas of Akkar, the South, and the Bekaa will be addressed by the price hikes.⁷ Given that fewer revenues are presumably received from these areas due to the high price of telecoms services, it is also possible that providers will continue to prioritize services in more affluent areas.

The impact on households is stark. Overall Inflation in Lebanon increased by 211% between June 2021 and June 2022, with food prices increasing by 364%⁸ and fuel prices by about 1,500%.⁹ The linking of phone prices to the Sayrafa rate increases the risk that further depreciation will in turn affect access to telecommunications services going forward, an issue that will need to be constantly tracked. According to the Social Media Exchange, the impact of phasing out 2g is also significant. About 230,000 subscribers could be left without access to mobile telecommunications services, and many of these individuals will be unable to afford to purchase new devices. Demand will increase for cheaper models of 3g phones, which will likely result in price increases.¹⁰ For example, a one-month phone card with internet equivalent to 20 GB now costs about LBP 440,000, approximately 65% of the current minimum wage (LBP 675,000). Communities across Lebanon will likely be affected differently. Syrian refugees and migrant workers, for example, will face major challenges in staying connected to families and relatives abroad.¹¹

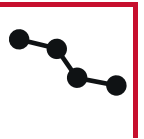
⁷ [Residents of Aley area town of Baysour call on authorities to end telecoms outage - L'Orient Today](#)

⁸ [Central Administration of Statistics - Economic statistics](#)

⁹ [IPT | Fuel Prices \(iptgroup.com.lb\)](#)

¹⁰ [Disastrous 'solutions' to save Lebanon's telecom sector - SMEX](#)

¹¹ [Lebanon telecom price hikes threatens migrants' link to jobs, safety | Al Arabiya English](#)



“ Impact on Aid Actors and Programming:

The inability of large parts of the resident population to afford basic communication and internet access will continue to pose challenges to humanitarian community outreach activities. Online communication has increased due to the Covid-19 pandemic, and while many programs have attempted to increase face-to-face training and interactions, they will need to increasingly provide phone cards and other support to facilitate communications. According to INGOs working in Lebanon, this increased reliance on remote engagement with program participants has persisted since pandemic-related restrictions eased, which in turn has made programming more vulnerable to the impact of the recent price hikes, and subsequent loss of access to beneficiaries.¹²

Programs will face outreach and accessibility challenges with participants that find it increasingly difficult to afford new telecom and internet prices. Feedback and accountability mechanisms are particularly dependent on Whatsapp/call access. The increased challenges of reaching out to different institutions’ hotlines will have ramifications for beneficiaries seeking to report abuse, corruption and fraud, among others. According to the Lebanon Inter-Agency Protection Sector, women and girls could be affected by a major reduction in telecommunications access in households, where cost increases may lead to less devices in use, and decreased privacy when in use. This could lead to delays in protection referrals and challenges in case management. This is especially a major concern for Gender Based Violence (GBV) case management, where women and girls may find it increasingly difficult to contact case managers.

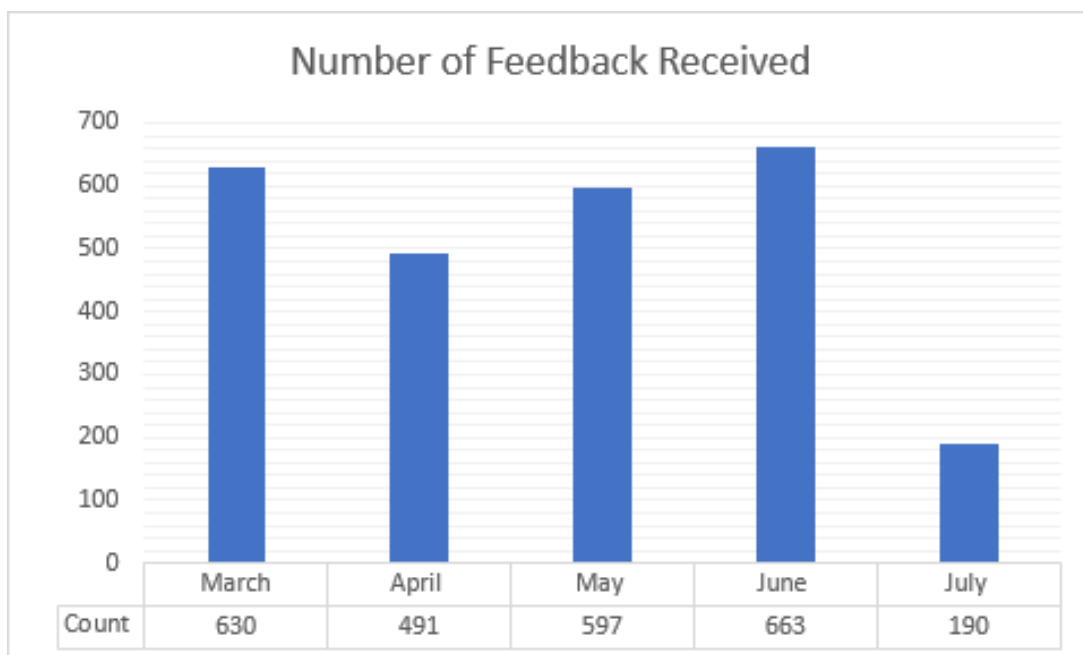
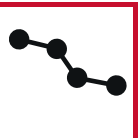


Figure 1: Calls and Feedback Received on Mercy Corps’ Hotline between March and July

¹² As the Lebanon Humanitarian INGO Forum (LHIF) and the Lebanon Crisis Analytics Team (LCAT) warned in an April Lebanon Elections Scenario Report, the breakdown in internet and telecommunications services significantly hinders remote management, remote programming modalities, and two-way communication with beneficiaries/ programme participants.

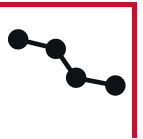


Preliminary data suggests that the effect of telecommunications rate hikes will be significant, particularly for the aid sector. In July, Mercy Corps received more than 70% fewer calls and requests – including via WhatsApp – on its hotline than in previous months. The Danish Refugee Council (DRC) has also reported a noticeable drop in calls to program hotlines, notably those focusing on GBV. Of primary concern are cases with urgent protection concerns – i.e. the most vulnerable of the vulnerable. While call levels are expected to rebound to some degree by the end of August, the impact is significant. Beneficiaries and program participants have sought to adapt to the inability to afford phone cards. Mercy Corps conducted two focus group discussions with program participants in early August to gauge the impact of the price rises, where many indicated a shift into relying on wifi from the Ogero network at their homes, and away from a dependence on the phone companies. Participants with children, however, reported that they felt the need to pay the large new sums needed to recharge their phones in order to stay connected to their families.

It may be some time before the impact of telecommunication price hikes are clear. For example, phone cards in Lebanon require the purchase of both credit – which can be used for internet and calls – and “days”. Once days run out, after a period the phone line is disconnected and the sim card is canceled. Should this happen, an affected individual would need to purchase a new sim card, which is difficult in Lebanon due to supply issues, leading to additional costs. The loss of numbers may affect the ability of aid actors to contact beneficiaries and maintain updated databases.

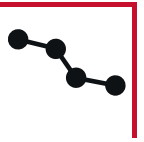
Additional challenges communicating with beneficiaries and program participants could exacerbate perception problems among Lebanese residents and citizens towards the aid sector. As the humanitarian response broadens to meet the needs of Lebanese citizens, who are increasingly dependent on humanitarian assistance, effective communication is essential. According to a soon-to-be published report by LCAT and the Danish Refugee Council (DRC), based on a survey of Lebanese citizens, a small minority of respondents felt informed about the assistance available to them from international aid organizations. Additionally, three-quarters of respondents do not know how to contact international aid organizations and only a small minority see aid distribution as “fair”.¹³ Unfair aid distribution is also regularly cited as a major source of social tensions between host populations and Syrian refugees.

¹³ Barriers to Accessing Aid Among the Lebanese Population, Upcoming report collaboration between the Danish Refugee Council (DRC) and the Mercy Corps Lebanon Crisis Analytics Team (LCAT).



“ Mitigations and recommendations:

- Increased telecommunications costs will need to be integrated into budgets across a range of programming.
- Aid actors should work with telecommunication companies to establish toll-free hotlines for community accountability and protection hotlines, in particular.
- Recruitment efforts should be expanded to identify and hire outreach staff who can support a shift towards face-to-face interactions and away from remote communication. It is also necessary to scale up the use of community centers and other locations for activities, and ensure the provision of internet access (via wifi) at these locations.
- Aid actors should track the increased risk of sim card cancellations and make efforts to follow up and ensure databases are updated.
- Aid actors must understand that individual phone lines may increasingly be used by groups or communities, rather than individual beneficiaries.



Contact

Team Lead

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



ABOUT MERCY CORPS

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.

